



## COUNCIL CHAMBERS

17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

### REDEVELOPMENT AGENCY

Dennis Kennedy, Chairperson  
Steve Tate, Vice-Chairperson  
Larry Carr, Agency Member  
Mark Grzan, Agency Member  
Greg Sellers, Agency Member

### COUNCIL MEMBERS

Dennis Kennedy, Mayor  
Steve Tate, Mayor Pro Tempore  
Larry Carr, Council Member  
Mark Grzan, Council Member  
Greg Sellers, Council Member

**WEDNESDAY, JUNE 22, 2005**

### AGENDA

### JOINT MEETING

### REDEVELOPMENT AGENCY REGULAR MEETING

and

### CITY COUNCIL SPECIAL MEETING

**7:00 P.M.**

*A Special City Council Meeting Is Called at 7:00 P.M.  
for the Purpose of Conducting City Business and  
Closed Sessions.*

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**Dennis Kennedy, Chairperson/Mayor**

### CALL TO ORDER

(Chairperson/Mayor Kennedy)

### ROLL CALL ATTENDANCE

(Deputy Agency Secretary/Deputy City Clerk Malone)

### DECLARATION OF POSTING OF AGENDA

**Per Government Code 54954.2**

(Deputy Agency Secretary/Deputy City Clerk Malone)

**7:00 P.M.**

**SILENT INVOCATION**

**PLEDGE OF ALLEGIANCE**

**CITY COUNCIL SUBCOMMITTEE REPORTS**

**OTHER REPORTS**

**PUBLIC COMMENT**

**NOW IS THE TIME FOR COMMENTS FROM THE PUBLIC REGARDING ITEMS NOT ON THIS AGENDA.**

(See notice attached to the end of this agenda.)

**PUBLIC COMMENTS ON ITEMS APPEARING ON THIS AGENDA WILL BE TAKEN AT THE TIME  
THE ITEM IS ADDRESSED BY THE COUNCIL. PLEASE COMPLETE A SPEAKER CARD AND  
PRESENT IT TO THE CITY CLERK.**

(See notice attached to the end of this agenda.)

**PLEASE SUBMIT WRITTEN CORRESPONDENCE TO THE CITY CLERK/AGENCY SECRETARY. THE  
CITY CLERK/AGENCY SECRETARY WILL FORWARD CORRESPONDENCE TO THE CITY  
COUNCIL/REDEVELOPMENT AGENCY.**

## ***Redevelopment Agency Action***

**CONSENT CALENDAR:**

**ITEMS**

The Consent Calendar may be acted upon with one motion, a second and the vote, by each respective Agency. The Consent Calendar items are of a routine or generally uncontested nature and may be acted upon with one motion. Pursuant to Section 5.1 of the City Council Rules of Conduct, any member of the Council or public may request to have an item pulled from the Consent Calendar to be acted upon individually.

**Time Estimate**

**Page**

**Consent Calendar: 1 - 10 Minutes**

1. [MAY 2005 REDEVELOPMENT AGENCY FINANCE & INVESTMENT REPORT](#) .....  
**Recommended Action(s):** Accept and File Report.

## ***City Council Action***

**CONSENT CALENDAR:**

**ITEMS**

**Time Estimate**

**Page**

**Consent Calendar: 1 - 10 Minutes**

2. [MAY 2005 CITY OF MORGAN HILL FINANCE & INVESTMENT REPORT](#) .....  
**Recommended Action(s):** Accept and File Report.

**Time Estimate**  
**Consent Calendar: 1 - 10 Minutes**

**Page**

3. **RESOLUTION APPROVING APPLICATION FOR FEDERAL SURFACE TRANSPORTATION PROGRAM FUNDING FOR 2005-2006 STREET RESURFACING PROGRAM** .....  
**Recommended Action(s):** **Adopt** Resolution Supporting the Application for Federal Surface Transportation Program (STP) for the 2005-2006 Pavement Resurfacing Project.
4. **APPROVAL OF PACIFIC GAS AND ELECTRIC (PG&E) FEES FOR INDOOR RECREATION CENTER** .....  
**Recommended Action(s):** **Approve** Payment of Fees to Pacific Gas & Electric (PG&E) for the Indoor Recreation Center in the Amount of \$42,307.23.
5. **APPROVE FINAL MAP FOR CAPRIANO PHASE VII (TRACT 9723)** .....  
**Recommended Action(s):**
  1. **Approve** the Final Map; and
  2. **Authorize** the Recordation of the Map Following Recordation of the Development Improvement Agreement.
6. **DONATION FROM HOSPIRA, INC.** .....  
**Recommended Action(s):**
  1. **Accept** the Donation; and
  2. **Appropriate** the Donated Funds in the 2004-2005 Budget.
7. **SISTER CITY COMMITTEE REQUEST FOR REIMBURSEMENTS** .....  
**Recommended Action(s):** **Approve** this One-Time Request from the Sister City Committee for \$2,268.39 in Expenditures that are not Directly Related to Formal City Actions.
8. **AQUATICS CENTER OPERATIONS PLAN** .....  
**Recommended Action(s):** **Direct Staff** to Provide an Aquatics Center Operations Plan at the August 3, 2005 City Council Meeting.

## ***Redevelopment Agency and City Council Action***

### **CONSENT CALENDAR:**

#### **ITEMS**

**Time Estimate**  
**Consent Calendar: 1 - 10 Minutes**

**Page**

9. **ADOPTION OF FISCAL YEAR 2005-2006 BUDGET** .....  
**Recommended Action(s):**
  1. **Approve** the Resolution of the City of Morgan Hill Adopting the Fiscal Year 2005/2006 Annual City Budget and Adopting Appropriations Limit for Fiscal Year 2005-2006;
  2. **Approve** the Resolution of the Redevelopment Agency of the City of Morgan Hill Adopting the Fiscal Year 2005-2006 Annual Agency Budget;
  3. **Approve** the Capital Improvement Plan; and
  4. **Approve** the 2005-2006 South County Regional Wastewater Authority Budget.

**Time Estimate**  
**Consent Calendar: 1 - 10 Minutes**

**Page**

10. **AGREEMENT WITH MORGAN HILL COMMUNITY FOUNDATION FOR CENTENNIAL MORGAN HILL ACTIVITIES**.....

**Recommended Action(s):** **Authorize** the City Manager/Executive Director to Prepare, Execute, and Implement an Agreement with the Morgan Hill Community Foundation in an Amount Not-to-Exceed \$54,500 for Centennial Celebration Activities for Fiscal Year 2005-2006.

## ***City Council Action***

### **CONSENT CALENDAR: (CONTINUED)**

#### **ITEMS**

**Time Estimate**  
**Consent Calendar: 1 - 10 Minutes**

**Page**

11. **APPROVE JOINT SPECIAL CITY COUNCIL AND SPECIAL PLANNING COMMISSION MEETING MINUTES OF JUNE 8, 2005**.....

12. **ADDITIONAL TIME EXTENSION FOR SUBDIVISION IMPROVEMENT AGREEMENT FOR ALCINI PARTNERSHIP/MAST AVENUE**.....

**Recommended Action(s):**

1. **Require** the Public Improvements to be Completed by September 1, 2005 as Required by the Most Recent Extension of the Subdivision Improvement Agreement,

**OR**

2. **Grant** an Extension of Time from September 1, 2005 to September 1, 2007, with the Condition that the Extension Granted by Council on September 1, 2004 must be Fully Executed and Complied with no later than July 1, 2005.

## ***Redevelopment Agency and City Council Action***

### **PUBLIC HEARINGS:**

**Time Estimate**

**Page**

13. **10 Minutes** **ACTON MUSEUM RELOCATION AND RENOVATION PROJECT**.....

Public Hearing Opened.

Please Limit Your Remarks to 3 Minutes. Public Hearing Closed

Council Discussion.

Action- **Adopt** Resolutions Making the Appropriate Findings and **Authorize** the Executive Director/City Manager to do everything necessary to Execute and Implement the Agreement with the Historical Society for the Relocation and Renovation of Acton Museum to the Villa Mira Monte Site.

## ***City Council Action***

### **OTHER BUSINESS:**

Time Estimate

Page

14. 10 Minutes **SILICON VALLEY SOCCER COMPLEX** .....  
**Recommended Action(s):** **Accept** Report.
15. 90 Minutes **URBAN LIMIT LINE/GREENBELT STUDY** .....  
**Recommended Action(s):**
1. For all of the City's Sphere of Influence area *Except for the Southeast Quadrant*, **Accept** the Staff Recommended "Project Description" for a General Plan Amendment (as Presented in Attachment I.E.), and **Direct** Filing of the Application and Preparation of Environmental Review. The GPA Amendment will include Establishment of the Urban Limit Line, Amendment of the Urban Growth Boundary Line, and Incorporation of a Greenbelt Diagram and Policies;
  2. **Direct** Staff to Initiate Consultant Selection Activities for the Industrial Land Market Study (ILMS), to Address Existing and Potential Industrial Lands Within the City's Sphere of Influence; and
  3. **Direct** Staff to Work with Santa Clara County on County Development Regulations Related to Reducing the Visual Impacts of New Hillside Development.

### **FUTURE COUNCIL-INITIATED AGENDA ITEMS:**

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

## ***Redevelopment Agency Action and City Council Action***

### **CLOSED SESSION:**

1.

#### **CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Authority: Government Code Sections 54956.9(b) & (c)  
Number of Potential Cases: 2

2.

#### **PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

Authority: Government Code 54957  
Public Employee Performance Evaluation: City Manager  
Attendees: City Council, City Manager

### **OPPORTUNITY FOR PUBLIC COMMENT**

### **ADJOURN TO CLOSED SESSION**

### **RECONVENE**

### **CLOSED SESSION ANNOUNCEMENT**

### **ADJOURNMENT**



**REDEVELOPMENT AGENCY**  
**STAFF REPORT**

**MEETING DATE:** *June 22, 2005*

**MAY 2005 FINANCE & INVESTMENT REPORT**

**RECOMMENDED ACTION:**

Accept and File Report

**EXECUTIVE SUMMARY:** Attached is the monthly Finance and Investment Report of the Redevelopment Agency of the City of Morgan Hill for the month of May 2005. The report covers activity for the eleven months of the 2004/2005 fiscal year. A summary of the report is included on the first page for the Board's benefit.

The Redevelopment Agency monthly Finance and Investment Report is presented to the Agency Board and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity of the Redevelopment Agency.

**FISCAL IMPACT:** As presented.

**Agenda Item # 1**

**Prepared By:**

**Finance Director**

**Submitted By:**

**Executive director**

**REDEVELOPMENT AGENCY OF  
THE CITY OF MORGAN HILL**

**Monthly Financial and Investment Reports**

**May 31, 2005 – 92% Year Complete**



**CITY OF MORGAN HILL  
REDEVELOPMENT AGENCY**

**Prepared by:**

**FINANCE DEPARTMENT**



**REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, CALIFORNIA**  
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05  
FOR THE MONTH OF MAY 2005 - 92% OF YEAR COMPLETE

**Revenues**

Through May 31, the Redevelopment Agency received \$16,422,105, or 75% of the budget, in property tax increment revenues. This amount has been reduced by the \$2,039,239 ERAF payment to the State required as part of the State budget crisis solution. The Redevelopment Agency, as of May 31, 2005, has collected \$100,000,000 in tax increment revenue under the original plan and has collected \$98,218,782, net of pass-through obligations to other agencies, toward the plan amendment cap of \$147,000,000. All tax increment revenues collected during 2004/2005 were collected under the plan amendment.

An amount of \$880,956 in interest earnings and other income was received through May 31. Additional interest earnings for April and May have not yet been apportioned, but will be apportioned in June 2005 following the quarter ended June 30.

**Expenditures**

Total Redevelopment Agency Capital Projects expenditures and encumbrances equaled \$13,845,379 and were 63% of budget. Of this total, \$6,887,468 represented encumbrances for capital projects and other commitments. If the encumbrances were excluded, the RDA would have spent only 32% of the budget. Expenditures for administrative costs for employee services, supplies, and contract services were 96% of budget. In April, the Agency paid the County of Santa Clara \$294,000 in annual property tax administration fees required under State law. Through March 2005, CIP project expenditures totaled \$3,709,000, including \$431,000 for Tennant Avenue Widening, \$1,056,000 for the Indoor Recreation Center, \$834,000 for the Aquatics Center, \$130,000 for the Library project and \$579,000 for 2003/04 Street Resurfacing.

Expenditures plus encumbrances for Housing were at 77% of the budget for a total of \$5,046,437. During May, \$2 million was spent on the purchase of land at Dunne and Butterfield for the EAH mixed use development project.

All of the 2004/05 Capital Projects and Housing expenditures have been funded with tax increment collected under the plan amendment.

**Fund Balance**

The unreserved fund balance of \$2,774,773 for the Capital Projects Fund at May 31, 2005, consisted entirely of monies collected under the plan amendment. The unreserved fund balance included future obligations to pay an additional \$1.75 million for the Courthouse Facility and \$1.61 million for the Lomanto property should the Agency agree to execute its option to purchase in accordance with the agreement. If all these future commitments were subtracted from the \$2,774,773, the remaining unreserved fund balance at May 31 would be a negative (\$585,227). However, these commitments are expected to be paid out over the next several years. Property tax increment receipts in the near future will provide the resources necessary to carry the Agency through the remainder of this fiscal year. The Capital Projects Fund cash balance at May 31 was \$10,383,952.

The unreserved fund balance of \$6,301,731 for the Housing Fund at May 31 consisted of funds all collected under the plan amendment.

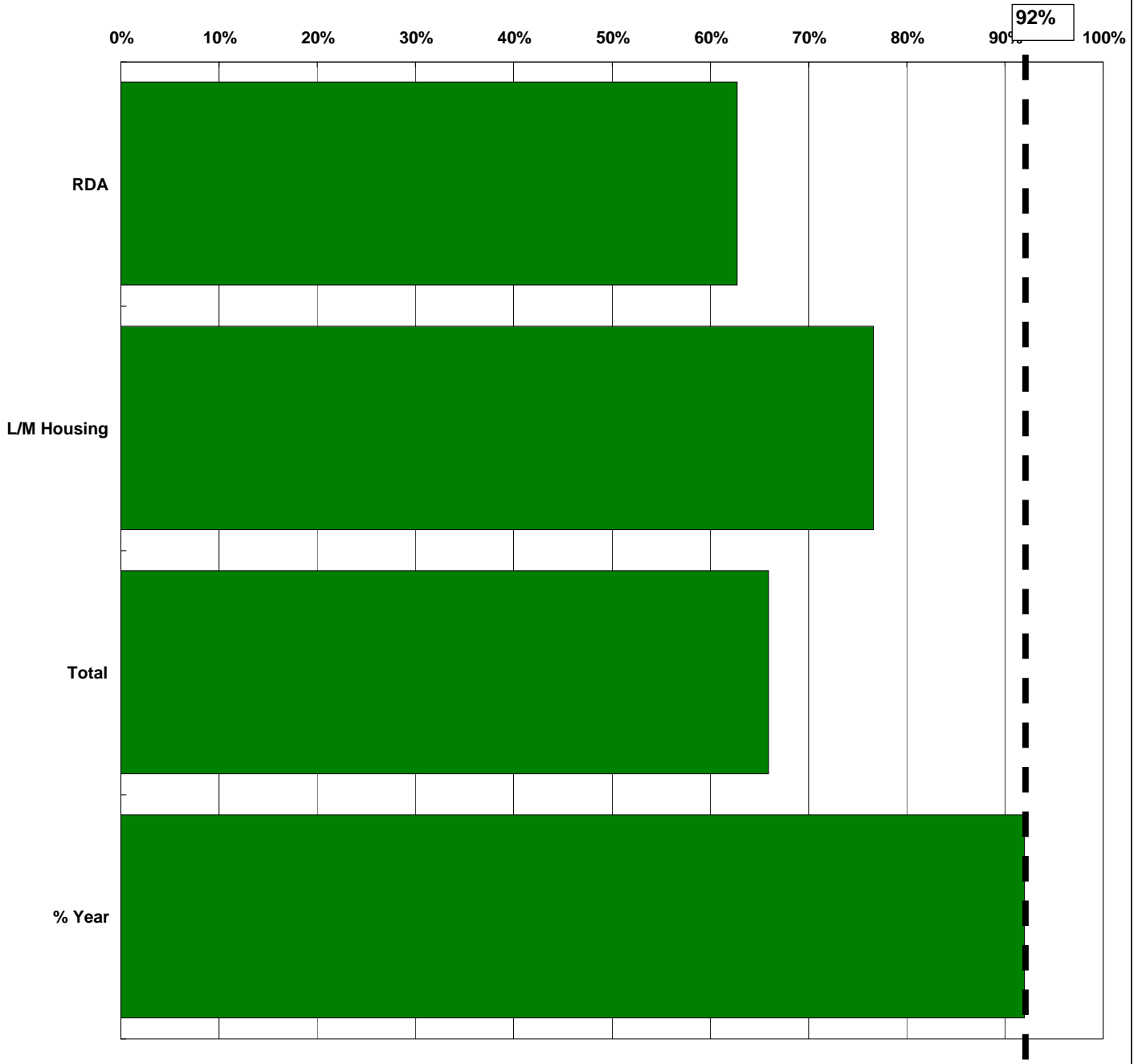




# Redevelopment Agency YTD Expenditures

## May 31, 2005

Percent of Actual to Budget

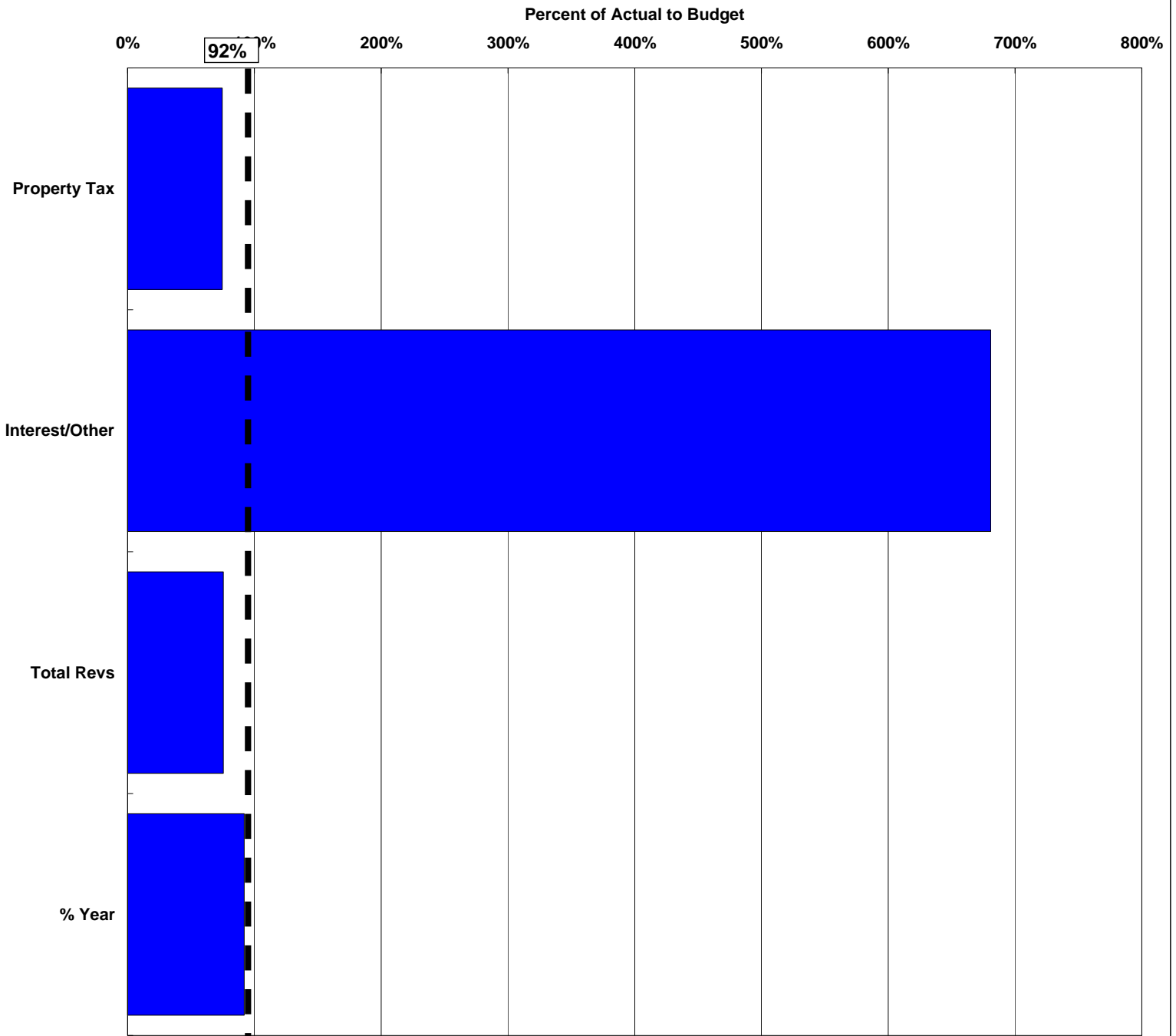


Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
CAPITAL PROJECTS	\$22,066,158	\$13,845,379	63%
HOUSING	6,589,093	5,046,437	77%
TOTALS	\$28,655,251	\$18,891,816	66%



# Redevelopment Agency YTD Revenues

May 31, 2005



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY TAXES	\$22,017,627	\$16,422,105	75%	\$15,571,036	5%
INTEREST INCOME/RENTS/OTHER	\$129,408	\$880,956	681%	\$3,077,632	-71%
TOTALS	\$22,926,011	\$17,303,061	76%	\$18,648,668	-7%



Redevelopment Agency  
Fund Balance Report - Fiscal Year 2004/05  
For the Month of May 2005  
92% of Year Complete

Fund No.	Fund	Unaudited Fund Balance 06-30-04	Revenues		Expenditures		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted
317	CAPITAL PROJECTS	\$3,864,214	12,826,987	71%	6,957,911	32%	5,869,076	6,958,517	2,774,773	\$10,383,952	
327/328	HOUSING	\$6,872,096	4,476,074	92%	5,002,965	76%	(526,891)	43,472	\$6,301,731	\$6,603,883	
<b>TOTAL CAPITAL PROJECT FUNDS</b>		<b>\$10,736,310</b>	<b>17,303,061</b>	<b>75%</b>	<b>11,960,876</b>	<b>42%</b>	<b>5,342,185</b>	<b>7,001,989</b>	<b>9,076,504</b>	<b>16,987,835</b>	
<b>SUMMARY BY FUND TYPE</b>											
	CAPITAL PROJECTS GROUP	\$10,736,310	17,303,061	75%	11,960,876	42%	5,342,185	7,001,989	9,076,504	16,987,835	
<b>TOTAL ALL GROUPS</b>		<b>\$10,736,310</b>	<b>17,303,061</b>	<b>75%</b>	<b>11,960,876</b>	<b>42%</b>	<b>5,342,185</b>	<b>7,001,989</b>	<b>9,076,504</b>	<b>16,987,835</b>	
<b>TOTAL CASH AND INVESTMENTS</b>										<b>16,987,835</b>	

<sup>1</sup> Amount reserved for encumbrances, fixed asset replacement, long-term receivables



**Redevelopment Agency**  
**Year to Date Revenues - Fiscal Year 2004/05**  
**For the Month of May 2005**  
**92% of Year Complete**

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGETED	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCREASE (DECREASE) FROM PRIOR YTD	% CHANGE
<b>CAPITAL PROJECTS FUNDS</b>							
<b>317 CAPITAL PROJECTS</b>							
Property Taxes & Supplemental Roll	17,048,868	17,280,277	12,313,300	71%	11,717,528	595,772	5%
Development Agreements			-	n/a	-	-	n/a
Interest Income, Rents	17,031	17,031	173,373	1018%	222,498	(49,125)	-22%
Other Agencies/Current Charges	-	778,976	340,314	n/a	1,544,236	(1,203,922)	-78%
<b>TOTAL CAPITAL PROJECTS</b>	<b>17,065,899</b>	<b>18,076,284</b>	<b>12,826,987</b>	<b>71%</b>	<b>13,484,262</b>	<b>(657,275)</b>	<b>-5%</b>
<b>327/328 HOUSING</b>							
Property Taxes & Supplemental Roll	4,737,350	4,737,350	4,108,805	87%	3,853,508	255,297	7%
Interest Income, Rent	112,277	112,277	336,313	300%	550,371	(214,058)	-39%
Other	100	100	30,956	30956%	760,527	(729,571)	-96%
<b>TOTAL HOUSING</b>	<b>4,849,727</b>	<b>4,849,727</b>	<b>4,476,074</b>	<b>92%</b>	<b>5,164,406</b>	<b>(688,332)</b>	<b>-13%</b>
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>21,915,626</b>	<b>22,926,011</b>	<b>17,303,061</b>	<b>75%</b>	<b>18,648,668</b>	<b>(1,345,607)</b>	<b>-7%</b>



**Redevelopment Agency**  
**Year to Date Expenditures - Fiscal Year 2004/05**  
**For the Month of May 2005**  
**92% of Year Complete**

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENDITURES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENDITURES	OUTSTANDING ENCUMBRANCES	TOTAL ALLOCATED	% OF TOTAL TO BUDGET
317 CAPITAL PROJECTS								
	BAHS Administration	103,895	1,545,675	1,596,269	1,456,856	72,503	1,529,359	96%
	BAHS Economic Development	69,491	3,125,435	4,306,439	1,792,049	153,000	1,945,049	45%
	BAHS CIP	<u>346,338</u>	<u>8,782,152</u>	<u>16,163,450</u>	<u>3,709,006</u>	<u>6,661,965</u>	<u>10,370,971</u>	<u>64%</u>
	<b>TOTAL CAPITAL PROJECTS</b>	<b><u>519,724</u></b>	<b><u>13,453,262</u></b>	<b><u>22,066,158</u></b>	<b><u>6,957,911</u></b>	<b><u>6,887,468</u></b>	<b><u>13,845,379</u></b>	<b><u>63%</u></b>
327 AND 328 HOUSING								
	Housing	<u>2,148,779</u>	<u>5,824,189</u>	<u>6,589,093</u>	<u>5,002,965</u>	<u>43,472</u>	<u>5,046,437</u>	<u>77%</u>
	<b>TOTAL HOUSING</b>	<b><u>2,148,779</u></b>	<b><u>5,824,189</u></b>	<b><u>6,589,093</u></b>	<b><u>5,002,965</u></b>	<b><u>43,472</u></b>	<b><u>5,046,437</u></b>	<b><u>77%</u></b>
<b>TOTAL CAPITAL PROJECT FUND</b>		<b>2,668,503</b>	<b>19,277,451</b>	<b>28,655,251</b>	<b>11,960,876</b>	<b>6,930,940</b>	<b>18,891,816</b>	<b>66%</b>



**Redevelopment Agency of the City of Morgan Hill**  
**Balance Sheet Report - Fiscal Year 2004/05**  
**For the Month of May 2005**  
**92% of Year Complete**

	<b>CAPITAL PROJECTS (Fund 317)</b>	<b>Housing (Fund 327/328)</b>
<b>ASSETS</b>		
Cash and investments:		
Unrestricted	10,383,952	6,603,883
Accounts Receivable	23,479	32,959
Loans Receivable <sup>1</sup>	3,594,765	28,258,491
Advance to Other Funds		
Fixed Assets <sup>2</sup>	71,049	
Other Assets		
<b>Total Assets</b>	<b>14,073,245</b>	<b>34,895,333</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	714,236	20,006
Deferred Revenue <sup>3</sup>	3,625,719	28,530,124
Accrued Vacation and Comp Time		
<b>Total liabilities</b>	<b>4,339,955</b>	<b>28,550,130</b>
<b>FUND BALANCE</b>		
Fund Balance		
Reserved for:		
Encumbrances	6,887,468	43,472
Advance to Other Funds		
Properties Held for Resale	71,049	
Loans and Notes Receivable		
<b>Total Reserved Fund balance</b>	<b>6,958,517</b>	<b>43,472</b>
Unreserved Fund Balance	2,774,773	6,301,731
<b>Total Fund Balance</b>	<b>9,733,290</b>	<b>6,345,203</b>
<b>Total Liabilities and Fund Balance</b>	<b>14,073,245</b>	<b>34,895,333</b>

<sup>1</sup> Includes Housing Rehab loans and loans for several housing and Agency projects.

<sup>2</sup> Includes RDA properties held for resale.

<sup>3</sup> Includes the deferred payment portion of the loans noted above.



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 22, 2005***

### **MAY 2005 FINANCE & INVESTMENT REPORT**

#### **RECOMMENDED ACTION:**

Accept and File Report

#### **EXECUTIVE SUMMARY:**

Attached is the monthly Finance and Investment Report for the period ended May 31, 2005. The report covers the first eleven months of activity for the 2004/2005 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

**FISCAL IMPACT:** as presented

**Agenda Item # 2**

**Prepared By:**

\_\_\_\_\_  
**Finance Director**

**Submitted By:**

\_\_\_\_\_  
**City Manager**

**CITY OF MORGAN HILL**  
**Monthly Financial and Investment Reports**  
**May 31, 2005 – 92% Year Complete**



**CITY OF MORGAN HILL**

**Prepared by:**  
**FINANCE DEPARTMENT**





CITY OF MORGAN HILL, CALIFORNIA  
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05  
FOR THE MONTH OF MAY 2005 - 92% OF YEAR COMPLETE

This analysis of the status of the City's financial situation reflects 92% of the year.

- \* **General Fund** - The *revenues* received in the General Fund were approximately 94% of the budgeted revenues. A total of 134% of budgeted Property Related Taxes have been received by the City, which is 67% more than the amount received in the prior year as of this date. This higher amount reflects property tax revenues received as a replacement for most of the Motor Vehicle-in-Lieu fees lost because of State funding changes. Motor Vehicle-in-Lieu revenues were \$207,346. The amount of Motor Vehicle-in-Lieu fees dropped significantly in this fiscal year, consistent with these changes. On a combined basis, Property Related Taxes and Motor Vehicle-in-Lieu fees have brought in 98% of the budget and 115% of the revenue generated in the prior year. The amount of Sales Tax collected was 102% of the sales tax revenue budget and 21% more than the amount received for the prior year. The timing of Sales Tax receipts has been impacted, as of September 2004, because the State, under the triple flip legislation, began to send the City at that time only  $\frac{3}{4}$  of the 1% in sales taxes that the City is entitled to. Installments estimated to equal the remaining  $\frac{1}{4}$  of sales taxes, for the period September 2004 through June 2005, were distributed by Santa Clara County for the 2004/05 fiscal year in January and May 2005. Franchise fees were 88% of the budgeted amount, or 2% more than the prior year. Business license and other permit collections were 99% of the budgeted amount. Interest & Other Revenue were 105% of budget and do not reflect April or May interest earnings that will be posted in June 2005 as part of earnings for the quarter ending June 30.
- \* The General Fund *expenditures* and *encumbrances* to date totaled 92% of the budgeted appropriations. If the \$441,730 in encumbrances were excluded, 89% of the budget would have been expended. Higher costs for the City Attorney and City Council budgets are related to unanticipated legal expenditures. Higher costs for the Recreation budget are related to a higher level of activity and are offset by higher Recreation revenue.
- \* **Transient Occupancy (Hotel) Tax** - The TOT rate is 10%. The City receives transient occupancy taxes on a quarterly basis. Taxes for the first three quarters, through March 31, amounted to \$701,838, or 3% more than the amount received by the City in the prior year for the same period. Taxes for the fourth quarter ending June 30 are not due until late July and have therefore not yet been collected.
- \* **Community Development** - Revenues were 125% of budget, which was 33% more than the amount collected in the like period for the prior year. Compared to the prior year, planning and engineering fees this year were higher and building fees were about the same. Planning expenditures plus encumbrances were 92% of budget; Building has expended or encumbered 83% of budget and Engineering 80%. Community Development has expended or encumbered a combined total of 85% of the 2004/05 budget, including \$243,586 in encumbrances. If encumbrances were excluded, Community Development would have spent only 78% of the combined budget.
- \* **RDA and Housing** - An amount of \$16,422,105, or 75% of the budget, in property tax increment revenues has been received as of May 31, 2005. Expenditures plus encumbrances totaled 66% of budget. If encumbrances totaling \$6,930,940 were excluded, the RDA would have spent 42% of the combined budget.



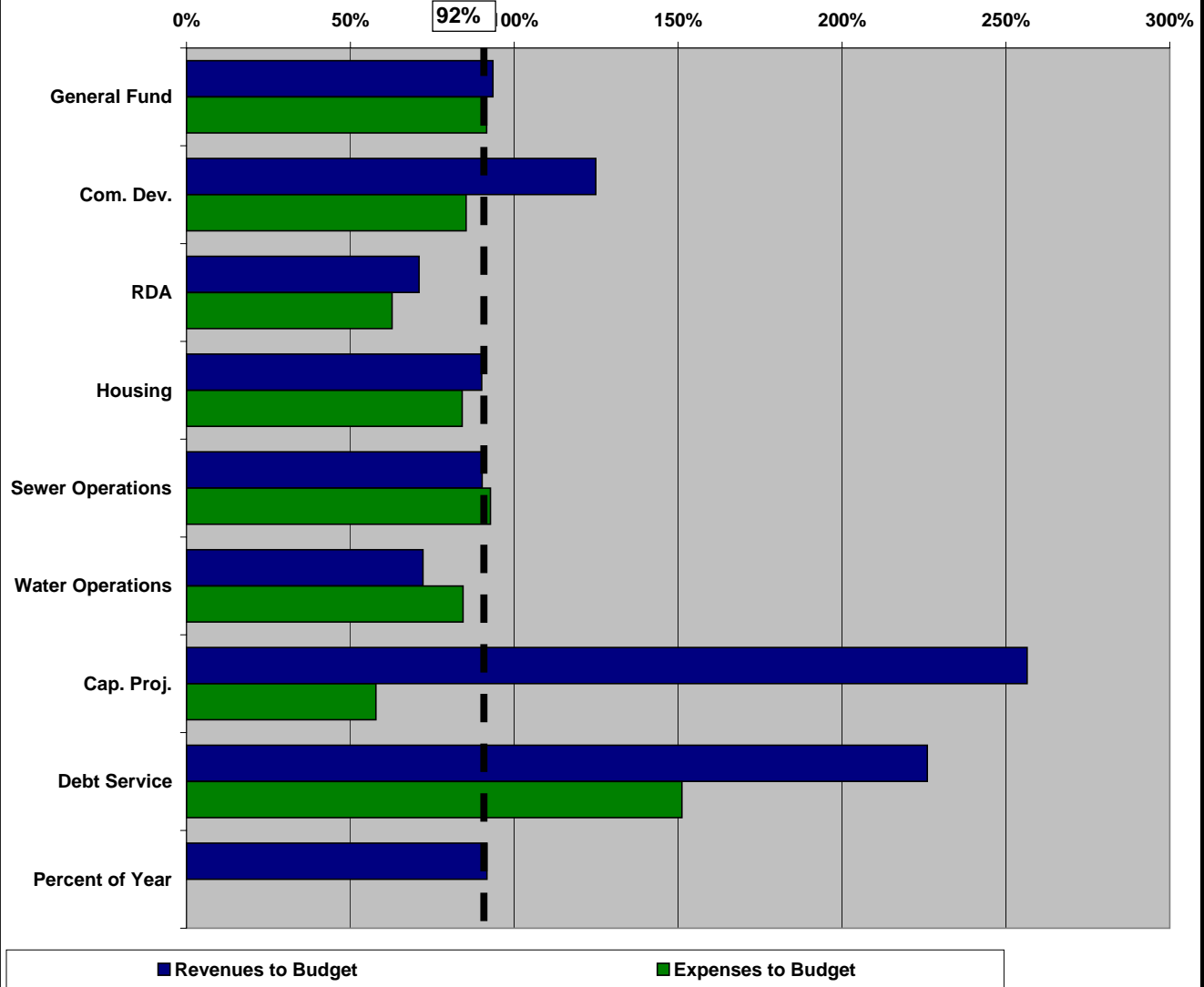
CITY OF MORGAN HILL, CALIFORNIA  
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2004/05  
FOR THE MONTH OF MAY 2005 - 92% OF YEAR COMPLETE

- \* **Water and Sewer Operations-** Water Operations revenues, including service fees, were 72% of budget. Water sales revenue was down 7% from the prior year as the result of less water sales over the last several months as compared to the prior year. Expenditures totaled 84% of appropriations. Sewer Operations revenues, including service fees, were 90% of budget. Expenditures for sewer operations were 93% of budget. This higher percentage resulted from large debt service payments on debt service made in July and January.
- \* **Investments maturing/called/sold during this period.** – During the month of May, no new investments or calls related to Federal Agencies occurred. Further details of all City investments are contained on pages 6-8 of this report.



# Morgan Hill YTD Revenue & Expense Summary

May 31 2005 – 92% Year Complete



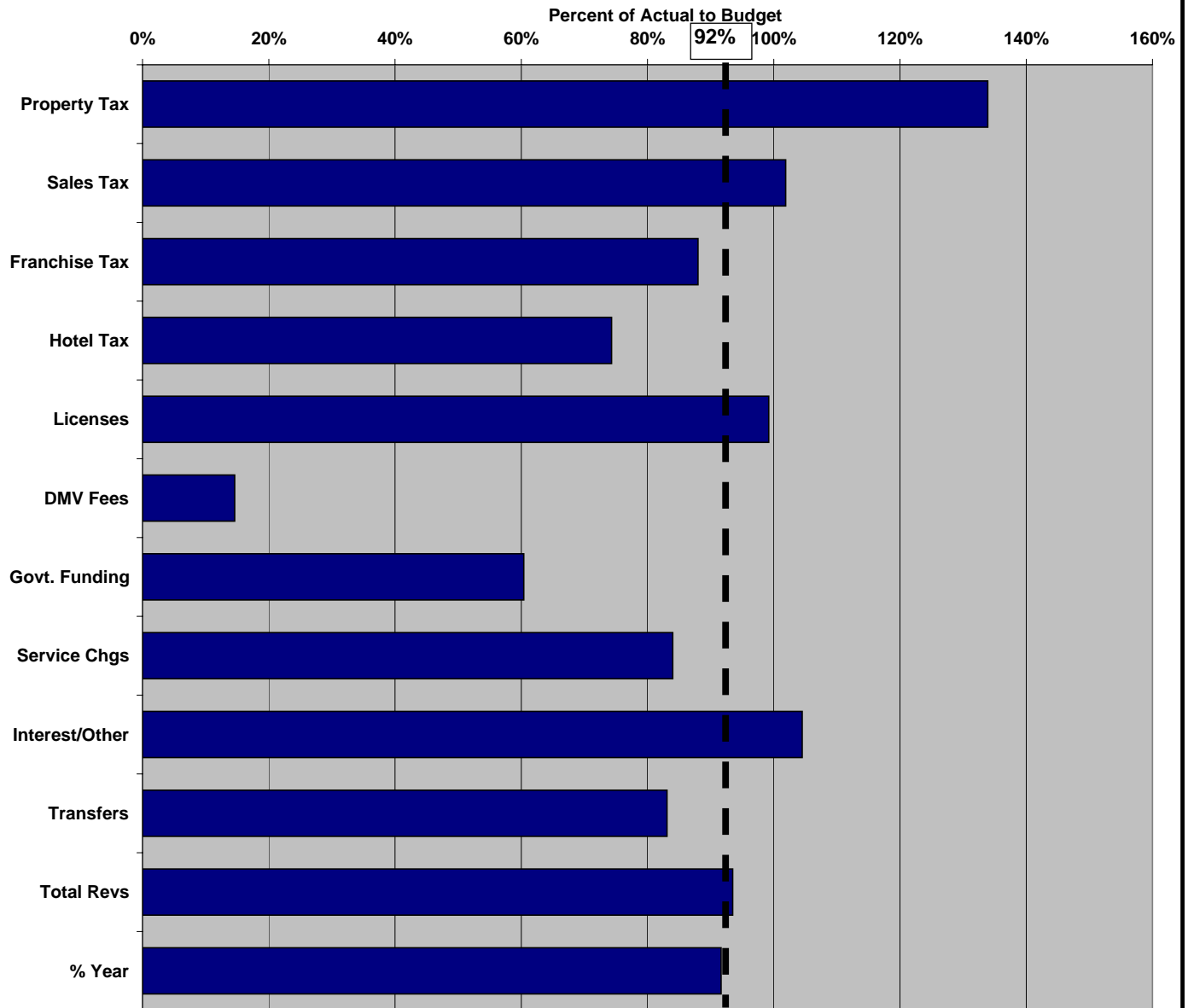
FUND NAME	REVENUES		EXPENSES		5/31/2005 UNRESTRICTED FUND BALANCE
	ACTUAL	% OF BUDGET	ACTUAL plus ENCUMBRANCES	% OF BUDGET	
General Fund	\$15,982,529	93%	\$17,846,226	92%	\$9,034,673
Community Development	3,418,323	125%	2,911,642	85%	1,989,086
RDA	12,826,987	71%	13,845,379	63%	2,774,773
Housing/CDBG	4,527,314	90%	5,242,781	84%	5,799,530
Sewer Operations	5,078,799	90%	6,055,391	93%	2,476,283
Sewer Other	2,098,065	159%	2,601,675	48%	11,891,678
Water Operations	6,246,972	72%	6,857,367	84%	2,644,770
Water Other	8,290,219	133%	5,227,292	24%	362,091
Other Special Revenues <sup>1</sup>	1,516,106	176%	942,538	41%	4,159,564
Capital Projects & Streets Funds	13,475,224	256%	11,530,100	58%	25,494,407
Debt Service Funds	729,275	226%	353,358	151%	774,977
Internal Service	4,480,474	86%	4,261,533	85%	5,191,132
Agency	2,365,461	92%	3,279,585	133%	2,985,642
<b>TOTAL FOR ALL FUNDS</b>	<b>\$81,035,748</b>	<b>103%</b>	<b>\$80,954,867</b>	<b>74%</b>	<b>\$75,578,606</b>

<sup>1</sup> Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



# Morgan Hill YTD General Fund Revenues

May 31, 2005 – 92% Year Complete

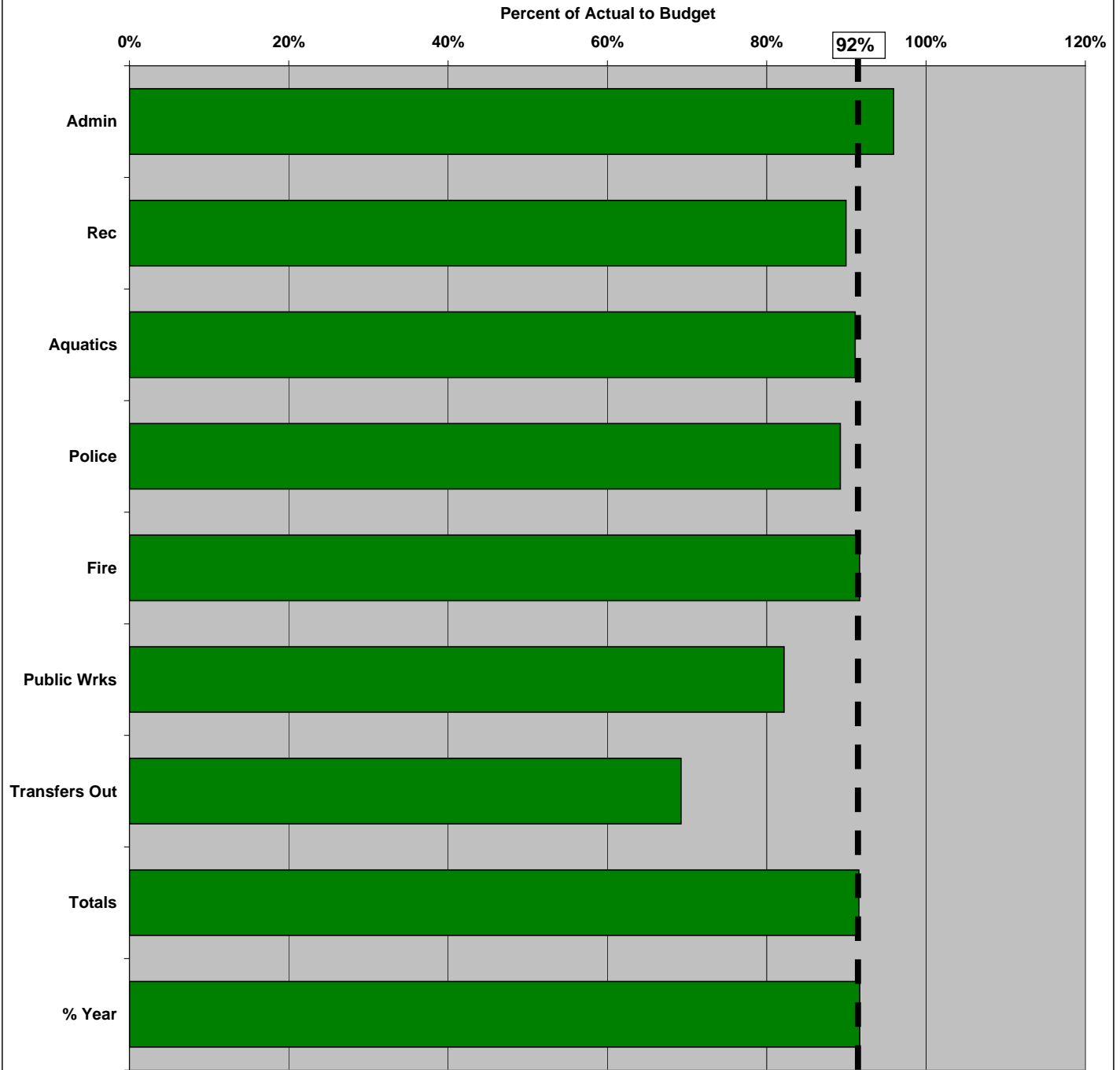


REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
PROPERTY RELATED TAXES	\$3,328,396	\$4,458,028	134%	\$2,662,411	67%
SALES TAXES	\$4,852,000	\$4,943,864	102%	\$4,079,940	21%
FRANCHISE FEE	\$965,000	\$849,477	88%	\$831,596	2%
HOTEL TAX	\$945,000	\$701,838	74%	\$679,429	3%
LICENSES/PERMITS	\$201,720	\$200,034	99%	\$194,267	3%
MOTOR VEHICLE IN LIEU	\$1,423,800	\$207,346	15%	\$1,403,689	-85%
FUNDING - OTHER GOVERNMENTS	\$304,400	\$183,859	60%	\$224,640	-18%
CHARGES CURRENT SERVICES	\$3,790,310	\$3,182,348	84%	\$2,337,932	36%
INTEREST & OTHER REVENUE	\$881,461	\$920,810	105%	\$772,272	19%
TRANSFERS IN	\$403,100	\$334,925	83%	\$722,392	-54%
TOTALS	\$17,095,187	\$15,982,529	94%	\$13,908,568	15%



# Morgan Hill YTD General Fund Expenditures

May 31, 2005 – 92% Year Complete



Expenditure Category	Budget	Actual Plus Encumbrances	% of Budget
ADMINISTRATION	4,714,822	3,397,560	96%
RECREATION	285,551	1,467,788	90%
AQUATICS	1,434,494	1,307,013	91%
POLICE	8,015,630	7,153,109	89%
FIRE	4,194,617	3,844,955	92%
PUBLIC WORKS	706,957	580,943	82%
TRANSFERS OUT	137,001	94,858	69%
TOTALS	\$ 19,489,072	\$ 17,846,226	92%



**City of Morgan Hill**  
**Fund Activity Summary - Fiscal Year 2004/05**  
**For the Month of May 2005**  
**92% of Year Completed**

Fund No.	Fund	Fund Balance 06-30-04	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted <sup>2</sup>
010	GENERAL FUND	\$10,898,370	\$15,982,529	93%	\$17,348,951	89%	(\$1,366,422)	\$497,275	\$9,034,673	\$10,318,414	\$6,312
<b>TOTAL GENERAL FUND</b>		<b>\$10,898,370</b>	<b>\$15,982,529</b>	<b>93%</b>	<b>\$17,348,951</b>	<b>89%</b>	<b>(\$1,366,422)</b>	<b>\$497,275</b>	<b>\$9,034,673</b>	<b>\$10,318,414</b>	<b>\$6,312</b>
202	STREET MAINTENANCE	\$1,454,752	\$1,577,687	105%	\$1,772,664	79%	(\$194,977)	\$231,621	\$1,028,154	\$1,250,109	
204/205	PUBLIC SAFETY/SUPPL. LAW	\$321,965	\$108,444	102%	\$160,893	92%	(\$52,449)		\$269,516	\$269,515	
206	COMMUNITY DEVELOPMENT	\$1,482,405	\$3,418,323	125%	\$2,668,056	78%	\$750,267	\$243,586	\$1,989,086	\$2,295,187	
207	GENERAL PLAN UPDATE	\$231,849	\$114,011	113%	\$35,567	20%	\$78,444	\$54,895	\$255,398	\$311,659	
210	COMMUNITY CENTER	\$99,678	\$48,666	93%		n/a	\$48,666		\$148,344	\$148,343	
215 / 216	CDBG	\$127,519	\$51,240	29%	\$138,111	21%	(\$86,871)	\$42,851	(\$502,203)	\$49,714	
225	ASSET SEIZURE	\$38,956	\$17,082	1675%	\$45,794	n/a	(\$28,712)	\$1,402	\$8,842	\$10,244	
229	LIGHTING AND LANDSCAPE	(\$1,173)	\$69,703	53%	\$117,232	84%	(\$47,529)	\$28,240	(\$76,942)	(\$50,608)	
232	ENVIRONMENTAL PROGRAMS	\$675,334	\$363,915	91%	\$336,480	63%	\$27,435	\$86,565	\$616,204	\$706,160	
234	MOBILE HOME PK RENT STAB.	\$168,580	\$9,079	176%	\$10,889	5%	(\$1,810)		\$166,770	\$166,652	
235	SENIOR HOUSING	\$252,691	\$5,843	106%	\$10,546	52%	(\$4,703)		\$247,988	\$247,988	
236	HOUSING MITIGATION	\$1,141,855	\$734,316	6104%	15,000	1%	\$719,316	-	\$1,861,171	\$1,861,171	
240	EMPLOYEE ASSISTANCE	\$80,549	\$31,788	65%	33,323	74%	(\$1,535)		\$79,014	\$78,043	
247	ENVIRONMENT REMEDIATION	\$570,000	13,259	n/a			\$13,259		\$583,259	\$583,259	
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>\$6,644,960</b>	<b>\$6,563,356</b>	<b>124%</b>	<b>\$5,344,555</b>	<b>62%</b>	<b>\$1,218,801</b>	<b>\$1,189,160</b>	<b>\$6,674,601</b>	<b>\$7,927,438</b>	
301	PARK DEV. IMPACT FUND	\$3,539,104	\$1,214,902	205%	\$91,575	3%	\$1,123,327	\$131,982	\$4,530,449		\$4,672,711
302	PARK MAINTENANCE	\$3,047,206	\$624,637	245%	\$94,578	63%	\$530,059	\$14,850	\$3,562,415	\$3,577,266	
303	LOCAL DRAINAGE	\$3,027,986	\$603,827	248%	\$1,408	0%	\$602,419		\$3,630,405		\$3,630,405
304	LOCAL DRAINAGE/NON-AB1600	\$3,249,120	\$250,105	171%	\$73,266	9%	\$176,839	\$2,950	\$3,423,009	\$3,325,959	
306	OPEN SPACE	\$699,078	\$495,913	300%	1,569		\$494,344	\$10,000	\$1,183,422	\$1,193,422	
309	TRAFFIC IMPACT FUND	\$3,119,744	\$903,347	139%	\$432,806	19%	\$470,541	\$952,582	\$2,637,703		\$3,581,211
311	POLICE IMPACT FUND	\$83,370	\$139,766	353%	\$70,326	71%	\$69,440	\$10,000	\$142,810		\$152,810
313	FIRE IMPACT FUND	\$2,333,569	\$162,895	118%	\$1,265	1%	\$161,630	\$9,101	\$2,486,098		\$2,495,199
317	REDEVELOPMENT AGENCY	\$3,864,214	\$12,826,987	71%	\$6,957,911	32%	\$5,869,076	\$6,958,517	\$2,774,773	\$10,383,952	
327 / 328	HOUSING	\$6,872,096	\$4,476,074	92%	\$5,002,965	76%	(\$526,891)	\$43,472	\$6,301,733	\$6,603,883	
340/342	MORGAN HILL BUS.RANCH I & II	\$104,826	\$1,585	70%	82,144		(\$80,559)	\$9,481	\$14,786	\$24,269	
346	PUBLIC FACILITIES NON-AB1600	\$936,101	\$7,072,340	1124%	7,015,853		\$56,487	\$398,354	\$594,234	\$801,451	\$182,136
347	PUBLIC FACILITIES IMPACT FUND	\$314,545	\$110,979	148%	\$1,251	11%	\$109,728	\$9,750	\$414,523		\$424,274
348	LIBRARY IMPACT FUND	\$490,953	\$78,896	15%	\$185	0%	\$78,711		\$569,664		\$569,664
350	UNDERGROUNDING	\$1,140,023	\$76,042	73%	\$84,571	12%	\$91,471	\$35,968	\$1,195,526	\$1,238,270	
360	COMM/REC CTR IMPACT FUND	\$18,906	\$62,303	73%		12%	\$62,303		\$81,209	\$81,209	
<b>TOTAL CAPITAL PROJECT FUNDS</b>		<b>\$32,840,841</b>	<b>\$29,200,598</b>	<b>109%</b>	<b>\$19,911,673</b>	<b>43%</b>	<b>\$9,288,925</b>	<b>\$8,587,007</b>	<b>\$33,542,759</b>	<b>\$27,229,680</b>	<b>\$15,708,410</b>
441	POLICE FACILITY BOND DEBT		578,704	n/a	122,344		\$456,360		\$456,360		\$456,366
545	COCHRANE BUSINESS PARK	\$375,254	\$109,876	99%	\$192,187	98%	(\$82,311)		\$292,943	\$111,993	\$180,950
551	JOLEEN WAY	\$23,806	\$40,695	99%	\$38,827	98%	\$1,868		\$25,674	\$8,424	\$17,250
<b>TOTAL DEBT SERVICE FUNDS</b>		<b>\$399,060</b>	<b>\$729,275</b>	<b>226%</b>	<b>\$353,358</b>	<b>151%</b>	<b>\$375,917</b>		<b>\$774,977</b>	<b>\$120,417</b>	<b>\$654,566</b>



**City of Morgan Hill**  
**Fund Activity Summary - Fiscal Year 2004/05**  
**For the Month of May 2005**  
**92% of Year Completed**

Fund No.	Fund	Fund Balance 06-30-04	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance		Cash and Investments	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved <sup>1</sup>	Unreserved	Unrestricted	Restricted <sup>2</sup>
640	SEWER OPERATIONS	\$14,685,816	\$5,078,799	90%	\$5,833,225	89%	(\$754,426)	\$11,455,107	\$2,476,283	\$2,300,262	\$1,894,414
641	SEWER IMPACT FUND	\$9,717,249	\$1,951,413	163%	\$706,666	18%	\$1,244,747	4,652,908	\$6,309,088		\$7,018,413
642	SEWER RATE STABILIZATION	\$3,975,411	\$92,417	110%	\$1,941	92%	\$90,476		\$4,065,887	\$4,065,888	
643	SEWER-CAPITAL PROJECTS	\$9,822,474	\$54,235	148%	\$667,973	44%	(\$613,738)	7,692,033	\$1,516,703	\$2,135,102	
650	WATER OPERATIONS	\$23,500,560	\$6,246,972	72%	\$6,092,579	58%	\$154,393	\$21,010,183	\$2,644,770	\$2,773,805	\$414,720
651	WATER IMPACT FUND	\$4,150,949	\$5,812,876	112%	\$985,682	23%	\$4,827,194	9,505,079	(\$526,937)		\$4,747,880
652	WATER RATE STABILIZATION	\$26,627	\$613	138%	\$452	92%	\$161		\$26,788	\$26,788	
653	WATER -CAPITAL PROJECT	\$9,372,760	\$2,476,730	244%	\$1,269,229	40%	\$1,207,501	9,718,023	\$862,240	\$4,357,914	\$206,180
<b>TOTAL ENTERPRISE FUNDS</b>		<b>\$75,251,846</b>	<b>\$21,714,055</b>	<b>100%</b>	<b>\$15,557,747</b>	<b>56%</b>	<b>\$6,156,308</b>	<b>\$64,033,333</b>	<b>\$17,374,822</b>	<b>\$15,659,760</b>	<b>\$14,281,607</b>
730	DATA PROCESSING	\$472,435	\$260,747	93%	\$350,974	65%	(\$90,227)	208,770	\$173,438	\$362,422	
740	BUILDING MAINTENANCE	\$726,398	\$1,514,892	92%	\$1,131,493	84%	\$383,399	24,198	\$1,085,599	\$1,139,330	
745	CIP ADMINISTRATION	\$52,654	\$1,077,827	77%	\$1,078,417	75%	(\$590)	20,070	\$31,994	\$121,870	
760	UNEMPLOYMENT INS.	\$47,278	\$30,271	50%	\$32,983	60%	(\$2,712)		\$44,566	\$44,567	
770	WORKER'S COMP.	\$5,634	\$765,377	87%	\$573,984	73%	\$191,393	-	\$197,027	\$863,710	\$40,000
790	EQUIPMENT REPLACEMENT	\$3,375,628	\$348,612	91%	\$207,341	87%	\$141,271	589,640	\$2,927,259	\$2,973,497	
793	CORPORATION YARD	\$283,120	\$70,813	52%	\$117,499	68%	(\$46,686)	235,006	\$1,428	(\$8,530)	
795	GEN'L LIABILITY INS.	\$810,702	\$411,935	91%	\$492,816	115%	(\$80,881)		\$729,821	\$870,104	
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>\$5,773,849</b>	<b>\$4,480,474</b>	<b>86%</b>	<b>\$3,985,507</b>	<b>80%</b>	<b>\$494,967</b>		<b>\$5,191,132</b>	<b>\$6,366,971</b>	<b>\$40,000</b>
820	SPECIAL DEPOSITS									\$983,280	
841	M.H. BUS.RANCH A.D.	\$381,939	\$285,550	n/a	\$667,489	n/a	(\$381,939)			(\$0)	
842	M.H. BUS. RANCH II A.D.	\$32,149	25,498	n/a	\$57,647	n/a	(\$32,149)			(\$0)	
843	M.H. BUS. RANCH 1998	\$1,296,650	\$682,024	106%	\$868,445	97%	(\$186,421)		\$1,110,229	\$221,782	\$888,448
844	MH RANCH RSMNT 2004A	\$186,838	\$732,365		\$180,298	30%	\$552,067		\$738,905	\$334,551	\$404,354
845	MADRONE BP-TAX EXEMPT	\$1,298,723	\$530,815		\$1,185,224	148%	(\$654,409)		\$644,314	(\$656)	\$644,971
846	MADRONE BP-TAXABLE	\$251,768	\$71,070	92%	\$320,482	183%	(\$249,412)		\$2,355	(\$656)	\$3,006
848	TENNANT AVE.BUS.PK A.D.	\$430,286	\$37,644	106%		na	\$37,644		\$467,930	\$467,930	
881	POLICE DONATION TRUST FUND	\$21,414	\$495	106%			\$495		\$21,909		\$21,908
<b>TOTAL AGENCY FUNDS</b>		<b>\$3,899,767</b>	<b>\$2,365,461</b>	<b>92%</b>	<b>\$3,279,585</b>	<b>133%</b>	<b>(\$914,124)</b>		<b>\$2,985,642</b>	<b>\$2,006,231</b>	<b>\$1,962,688</b>
<b>SUMMARY BY FUND TYPE</b>											
GENERAL FUND GROUP		\$10,898,370	\$15,982,529	93%	\$17,348,951	89%	(\$1,366,422)	\$497,275	\$9,034,673	\$10,318,414	\$6,312
SPECIAL REVENUE GROUP		\$6,644,960	\$6,563,356	124%	\$5,344,555	62%	\$1,218,801	\$1,189,160	\$6,674,601	\$7,927,438	
DEBT SERVICE GROUP		\$399,060	\$729,275	226%	\$353,358	151%	\$375,917		\$774,977	\$120,417	\$654,566
CAPITAL PROJECTS GROUP		\$32,840,841	\$29,200,598	109%	\$19,911,673	43%	\$9,288,925	\$8,587,007	\$33,542,759	\$27,229,680	\$15,708,410
ENTERPRISE GROUP		\$75,251,846	\$21,714,055	100%	\$15,557,747	56%	\$6,156,308	\$64,033,333	\$17,374,822	\$15,659,760	\$14,281,607
INTERNAL SERVICE GROUP		\$5,773,849	\$4,480,474	86%	\$3,985,507	80%	\$494,967		\$5,191,132	\$6,366,971	\$40,000
AGENCY GROUP		\$3,899,767	\$2,365,461	92%	\$3,279,585	133%	(\$914,124)		\$2,985,642	\$2,006,231	\$1,962,688
<b>TOTAL ALL GROUPS</b>		<b>\$135,708,693</b>	<b>\$81,035,748</b>	<b>103%</b>	<b>\$65,781,376</b>	<b>60%</b>	<b>\$15,254,372</b>	<b>\$74,306,775</b>	<b>\$75,578,606</b>	<b>\$69,628,910</b>	<b>\$32,653,583</b>
<b>TOTAL CASH AND INVESTMENTS</b>										<b>\$102,282,493</b>	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

<sup>1</sup> Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

<sup>2</sup> Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



**CITY OF MORGAN HILL CASH AND INVESTMENT REPORT**  
**FOR THE MONTH OF MAY 2005**  
**FOR THE FISCAL YEAR OF 2004-05**

	Invested in Fund	Yield	Book Value End of Month	Investment Category Subtotal at Cost	% of Total	Market Value
<b>Investments</b>						
State Treasurer LAIF - City	All Funds Pooled	2.34%	\$24,867,736		24.29%	\$24,779,864
- RDA	RDA	2.34%	\$7,064,708		6.91%	\$7,039,744
- Corp Yard	Corp Yard	2.34%	\$53,186		0.05%	\$52,998
Federal Issues	All Funds Pooled	3.20%	\$56,245,703		54.99%	\$55,547,000
SVNB CD	All Funds Pooled	2.50%	\$2,000,000		1.96%	\$2,000,000
Money Market	All Funds Pooled	2.43%	\$579,438	\$90,810,771	0.57%	\$579,438
<b>Bond Reserve Accounts - held by trustees</b>						
BNY - 2002 SCRWA Bonds						
MBIA Repurchase & Custody Agmt	Sewer	4.78%	\$1,849,400			
Blackrock Provident Temp Fund		2.44%	\$45,014		1.85%	\$1,894,414
US Bank - 1999 Water C.O.P.						
FHLMC	Water	4.10%	\$414,720		0.41%	\$693,336
BNY - MH Water Revenue Bonds						
Blackrock Liquidity Temp Fund	Water	1.38%	\$4,704,446		4.60%	\$4,704,446
BNY - MH Police Facility Lease Revenue Bonds						
JP Morgan Treasury Plus	Debt Service	2.22%	\$182,415		0.62%	\$182,415
FNMA	Public Facility	4.36%	\$456,087			\$456,782
US Bank - MH Ranch 98	MH Ranch					
First American Treasury Obligation	Agency Fund	2.30%	\$888,448		0.87%	\$888,448
BNY - Madrone Bus Park Tax Exempt	Madrone Bus Park					
Blackrock Liquidity Temp Fund #20	Agency Fund	2.40%	\$645,779		0.63%	\$645,779
BNY - Madrone Bus Park Taxable	Madrone Bus Park					
Blackrock Liquidity Temp Fund #20	Agency Fund	2.40%	\$4,769		0.00%	\$4,769
BNY - MH Ranch 2004 A	MH Ranch Bus Park					
Blackrock Provident Temp Fund	Agency Fund	2.44%	\$404,354	\$9,595,432	0.40%	\$404,354
<b>Other Accounts/Deposits</b>						
General Checking	All Funds		\$1,500,000		1.47%	\$1,500,000
Dreyfuss Treas Cash Management Account	All Funds		\$186,268		0.18%	\$186,268
Heritage Bank - Cash in Escrow Account	Streets/Pub Fac	0.90%	\$143,710		0.14%	\$143,710 *
Athens Administrators Workers' Comp	Workers' Comp		\$40,000		0.04%	\$40,000
Petty Cash & Emergency Cash	Various Funds		\$6,312	\$1,876,290	0.01%	\$6,312
<b>Total Cash and Investments</b>			<b>\$102,282,493</b>	<b>\$102,282,493</b>	<b>100.00%</b>	<b>\$101,750,077</b>
<b>MH Financing Authority Investment in</b>						
MH Ranch AD Imprvmt Bond Series 2004		1.75% to 4.50%	\$4,795,000			Unavailable
MH Madrone Bus Park Bond Series A		5.82%	\$8,620,000			Unavailable
MH Madrone Bus Park Bond Series B		7.07%	\$1,110,000			Unavailable

**CASH ACTIVITY SUMMARY**  
**FY 04/05**

Fund Type	07/01/04 Balance	Change in Cash Balance	05/31/05 Balance	Restricted	Unrestricted
General Fund	\$11,307,873	(\$983,148)	\$10,324,726	\$6,312	\$10,318,414
Community Development	\$1,564,866	\$730,321	\$2,295,187	\$0	\$2,295,187
RDA (except Housing)	\$6,191,592	\$4,192,360	\$10,383,952	\$0	\$10,383,952
Housing / CDBG	\$7,244,293	(\$590,696)	\$6,653,597	\$0	\$6,653,597
Water - Operations	\$3,236,757	(\$48,232)	\$3,188,525	\$414,720	\$2,773,805
Water Other	\$3,450,125	\$5,888,637	\$9,338,762	\$4,954,060	\$4,384,702
Sewer - Operations	\$5,088,334	(\$893,658)	\$4,194,676	\$1,894,414	\$2,300,262
Sewer Other	\$13,072,660	\$146,743	\$13,219,403	\$7,018,413	\$6,200,990
Other Special Revenue	\$3,503,684	\$828,744	\$4,332,428	\$0	\$4,332,428
Streets and Capital Projects (except RDA)	\$23,802,360	\$3,398,005	\$27,200,365	\$15,708,410	\$11,491,955
Assessment Districts/Debt Service	\$397,995	\$376,988	\$774,983	\$654,566	\$120,417
Internal Service	\$6,337,439	\$69,532	\$6,406,971	\$40,000	\$6,366,971
Agency Funds	\$4,902,523	(\$933,604)	\$3,968,919	\$1,962,688	\$2,006,231
<b>Total</b>	<b>\$90,100,501</b>	<b>\$12,181,993</b>	<b>\$102,282,493</b>	<b>\$32,653,583</b>	<b>\$69,628,910</b>

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.  
 \* Market value as of 04/30/05

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by: \_\_\_\_\_  
 Lourdes Reroma  
 Accountant I

Approved by: \_\_\_\_\_  
 Jack Dilles  
 Director of Finance

Verified by: \_\_\_\_\_  
 Tina Reza  
 Assistant Director of Finance

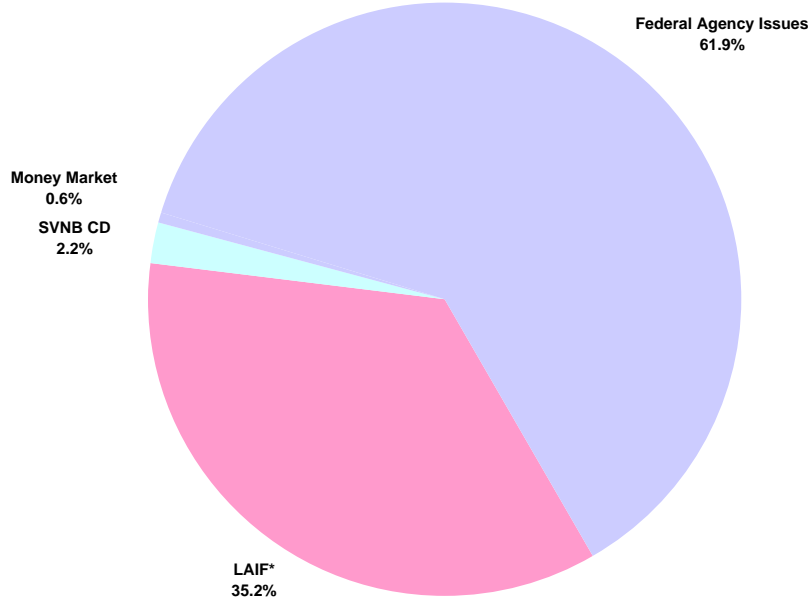
Mike Roorda  
 City Treasurer





## CITY OF MORGAN HILL

### INVESTMENT PORTFOLIO DETAIL as of 05/31/05



Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
<b>LAIF*</b>		<b>\$31,985,630</b>	<b>35.22%</b>	<b>\$31,872,606</b>	<b>2.336%</b>	<b>\$582,061</b>			<b>0.003</b>
<b>SVNB CD</b>	07/07/03	<b>\$2,000,000</b>	<b>2.20%</b>	<b>\$2,000,000</b>	<b>2.500%</b>	<b>\$31,639</b>		07/07/05	<b>0.184</b>
<b>Federal Agency Issues</b>									
Fed Home Loan Bank	05/21/04	\$2,000,000	2.20%	\$1,991,260	2.474%	\$45,446	06/21/05	11/21/05	0.474
Fed Home Loan Bank	01/25/05	\$2,000,000	2.20%	\$1,993,120	3.000%	\$21,050	01/25/06	01/25/06	0.652
Fed Home Loan Mgt Corp	10/12/04	\$2,000,000	2.20%	\$1,984,220	2.700%	\$34,377	anytime	04/12/06	0.863
Fed Home Loan Bank	02/26/04	\$2,000,000	2.20%	\$1,978,760	2.563%	\$46,968	08/26/05	05/26/06	0.984
Fed Home Loan Bank	11/29/04	\$2,000,000	2.20%	\$1,985,620	3.076%	\$31,012	08/28/05	08/28/06	1.241
Fed Home Loan Mgt Corp	11/30/04	\$2,000,000	2.20%	\$1,984,840	3.070%	\$31,036	08/30/05	08/30/06	1.247
Fed Home Loan Bank	03/08/05	\$1,999,155	2.20%	\$1,994,380	3.470%	\$16,185	06/08/05	09/08/06	1.271
Fed Home Loan Bank	12/15/04	\$2,000,000	2.20%	\$1,988,760	3.250%	\$29,972	06/15/05	09/15/06	1.290
Fed Home Loan Bank	03/15/05	\$1,000,000	1.10%	\$997,190	3.500%	\$7,418	06/15/05	09/15/06	1.290
Fed Home Loan Bank	03/29/04	\$2,000,000	2.20%	\$1,957,500	2.650%	\$48,679	12/29/06	12/29/06	1.578
Fed Home Loan Bank	03/18/04	\$2,000,000	2.20%	\$1,971,880	3.030%	\$55,660	06/18/05	06/18/07	2.047
Fed Home Loan Bank	03/29/04	\$2,000,000	2.20%	\$1,952,500	3.300%	\$60,620	09/28/05	12/28/07	2.575
Fed Home Loan Mgt Corp	03/12/03	\$2,000,000	2.20%	\$1,979,580	3.500%	\$64,293	09/12/05	03/12/08	2.781
Fed Home Loan Bank	03/26/03	\$2,000,000	2.20%	\$1,972,500	3.375%	\$61,997	anytime	03/26/08	2.819
Fed Home Loan Mgt Corp	04/16/03	\$2,000,000	2.20%	\$1,982,940	3.600%	\$66,098	10/16/05	04/16/08	2.877
Fed Home Loan Mgt Corp	04/17/03	\$1,996,548	2.20%	\$1,977,480	3.625%	\$68,869	10/17/05	04/17/08	2.879
Fed Farm Credit Bank	06/03/03	\$2,000,000	2.20%	\$1,960,000	3.210%	\$58,936	06/03/05	06/03/08	3.008
Fed Farm Credit Bank	06/12/03	\$2,000,000	2.20%	\$1,945,000	2.950%	\$54,154	07/30/05	06/12/08	3.033
Fed Home Loan Bank	07/30/03	\$2,000,000	2.20%	\$1,947,500	3.000%	\$55,001	07/30/05	07/30/08	3.164
Fed Home Loan Bank	07/30/03	\$2,000,000	2.20%	\$1,961,880	3.243%	\$59,951	07/30/05	07/30/08	3.164
Fed Home Loan Bank	07/30/03	\$2,000,000	2.20%	\$1,968,760	3.400%	\$62,335	07/30/05	07/30/08	3.164
Fed Home Loan Bank	08/14/03	\$1,250,000	1.38%	\$1,239,450	3.690%	\$42,272	08/14/05	08/14/08	3.205
Fed Home Loan Bank	10/15/03	\$2,000,000	2.20%	\$1,994,380	4.000%	\$36,721	anytime	10/15/08	3.375
Fed Farm Credit Bank	03/16/04	\$2,000,000	2.20%	\$1,943,120	3.650%	\$67,049	anytime	03/16/09	3.792
Fed Home Loan Bank	03/26/04	\$2,000,000	2.20%	\$1,991,880	4.000%	\$73,478	06/26/05	03/26/09	3.819
Fed Home Loan Bank	04/06/04	\$2,000,000	2.20%	\$1,973,120	3.625%	\$66,557	anytime	04/06/09	3.849
Fed Home Loan Bank	04/07/04	\$2,000,000	2.20%	\$1,971,880	3.600%	\$66,098	07/07/05	04/07/09	3.852
Fed National Mortgage	04/16/04	\$2,000,000	2.20%	\$1,977,500	3.750%	\$68,852	07/16/05	04/16/09	3.877
Fed Home Loan Bank	04/29/04	\$2,000,000	2.20%	\$1,980,000	3.750%	\$68,856	07/29/05	04/29/09	3.912
Redeemed in FY 04/05						\$42,559			
<b>Sub Total/Average</b>		<b>\$56,245,703</b>	<b>61.94%</b>	<b>\$55,547,000</b>	<b>3.204%</b>	<b>\$1,512,499</b>			<b>2.499</b>
<b>Money Market</b>		<b>\$579,438</b>	<b>0.64%</b>	<b>\$579,438</b>	<b>2.430%</b>	<b>\$6,957</b>			<b>0.003</b>
<b>TOTAL/AVERAGE</b>		<b>\$90,810,771</b>	<b>100.00%</b>	<b>\$89,999,044</b>	<b>2.940%</b>	<b>\$2,133,156</b>			<b>1.559</b>

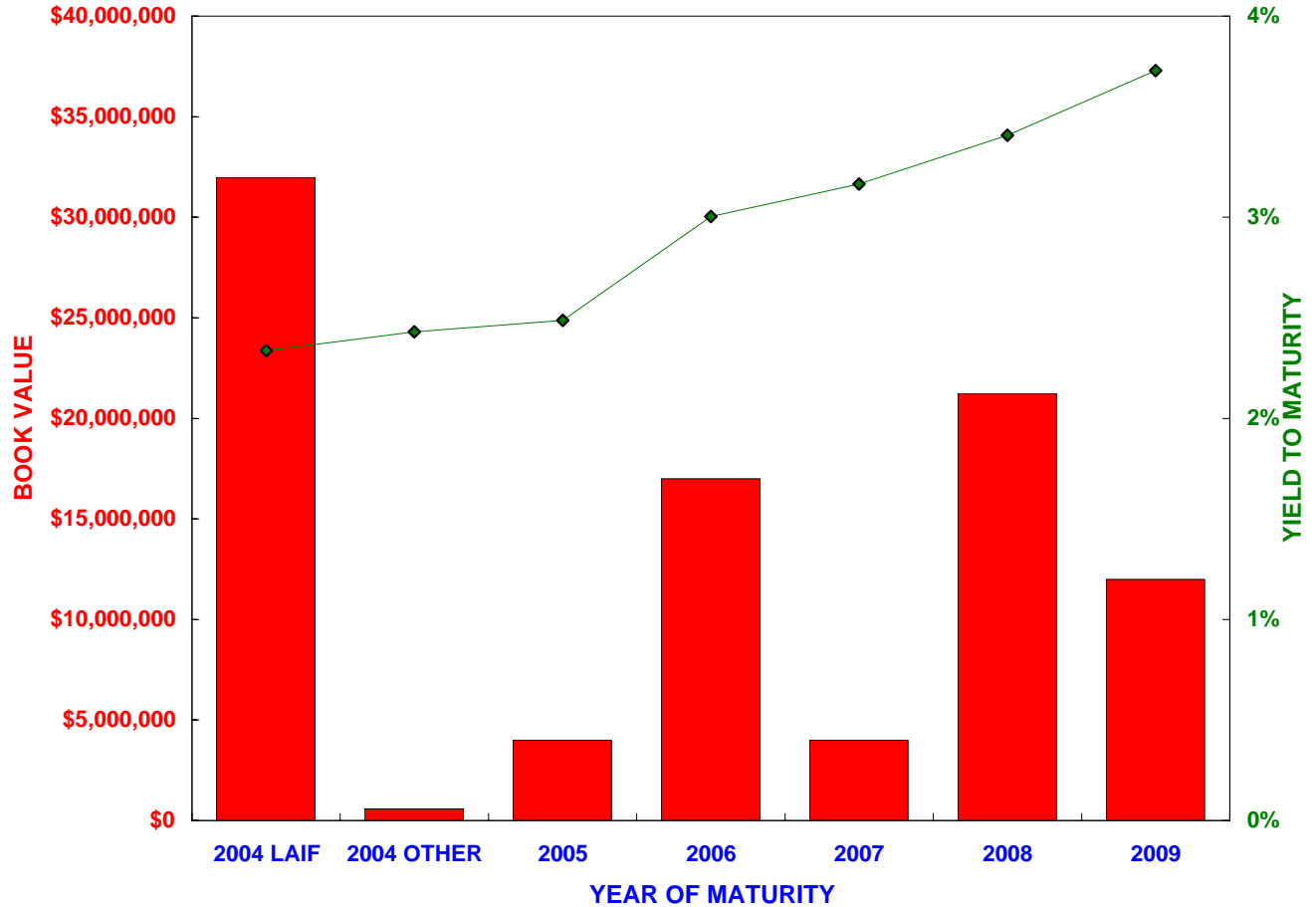
\*Per State Treasurer Report dated 5/31/2005, LAIF had invested approximately 13% of its balance in Treasury Bills and Notes, 26% in CDs, 19% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 42% in others.



# CITY OF MORGAN HILL

## INVESTMENT MATURITIES

### AS OF MAY 31, 2005



YEAR OF MATURITY	BOOK VALUE	MARKET VALUE	AVERAGE RATE	% OF TOTAL
2004 LAIF	\$31,985,630	\$31,872,606	2.336%	35.22%
2004 OTHER	\$579,438	\$579,438	2.430%	0.64%
2005	\$4,000,000	\$3,991,260	2.487%	4.40%
2006	\$16,999,155	\$16,864,390	3.003%	18.72%
2007	\$4,000,000	\$3,924,380	3.165%	4.40%
2008	\$21,246,548	\$20,929,470	3.408%	23.40%
2009	\$12,000,000	\$11,837,500	3.729%	13.21%
TOTAL	\$90,810,771	\$89,999,044	2.940%	100.00%



City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2004/05  
For the Month of May 2005  
92% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>010 GENERAL FUND</b>							
<b><u>TAXES</u></b>							
Property Taxes - Secured/Unsecured/Prio	2,803,396	2,803,396	3,877,018	138%	2,169,720	1,707,298	79%
Supplemental Roll	157,500	157,500	201,932	128%	120,933	80,999	67%
Sales Tax	4,600,000	4,600,000	4,745,819	103%	3,888,472	857,347	22%
Public Safety Sales Tax	252,000	252,000	198,045	79%	191,468	6,577	3%
Transient Occupancy Taxes	945,000	945,000	701,838	74%	679,429	22,409	3%
Franchise (Refuse ,Cable ,PG&E)	965,000	965,000	849,477	88%	831,596	17,881	2%
Property Transfer Tax	367,500	367,500	379,078	103%	371,758	7,320	2%
<b>TOTAL TAXES</b>	<b>10,090,396</b>	<b>10,090,396</b>	<b>10,953,207</b>	<b>109%</b>	<b>8,253,376</b>	<b>2,699,831</b>	<b>33%</b>
<b><u>LICENSES/PERMITS</u></b>							
Business License	155,000	155,000	158,182	102%	153,235	4,947	3%
Other Permits	46,720	46,720	41,852	90%	41,032	820	2%
<b>TOTAL LICENSES/PERMITS</b>	<b>201,720</b>	<b>201,720</b>	<b>200,034</b>	<b>99%</b>	<b>194,267</b>	<b>5,767</b>	<b>3%</b>
<b><u>FINES AND PENALTIES</u></b>							
Parking Enforcement	12,000	12,000	10,139	84%	12,787	(2,648)	-21%
City Code Enforcement	35,000	35,000	59,709	171%	43,548	16,161	37%
Business tax late fee/other fines	1,200	1,200	1,504	125%	1,264	240	19%
<b>TOTAL FINES AND PENALTIES</b>	<b>48,200</b>	<b>48,200</b>	<b>71,352</b>	<b>148%</b>	<b>57,599</b>	<b>13,753</b>	<b>24%</b>
<b><u>OTHER AGENCIES</u></b>							
Motor Vehicle in-Lieu	1,423,800	1,423,800	207,346	15%	1,403,689	(1,196,343)	-85%
Other Revenue - Other Agencies	304,400	304,400	183,859	60%	224,640	(40,781)	-18%
<b>TOTAL OTHER AGENCIES</b>	<b>1,728,200</b>	<b>1,728,200</b>	<b>391,205</b>	<b>23%</b>	<b>1,628,329</b>	<b>(1,237,124)</b>	<b>-76%</b>
<b><u>CHARGES CURRENT SERVICES</u></b>							
False Alarm Charge	20,000	20,000	19,663	98%	17,289	2,374	14%
Business License Application Review	22,000	22,000	23,653	108%	23,729	(76)	0%
Recreation Classes	326,750	326,750	278,303	85%	248,733	29,570	12%
Aquatics Revenue	1,181,625	1,436,859	987,469	69%			
General Administration Overhead	1,793,851	1,793,851	1,644,364	92%	1,840,647	(196,283)	-11%
Other Charges Current Services	190,850	190,850	228,896	120%	207,534	21,362	10%
<b>TOTAL CURRENT SERVICES</b>	<b>3,535,076</b>	<b>3,790,310</b>	<b>3,182,348</b>	<b>84%</b>	<b>2,337,932</b>	<b>(143,053)</b>	<b>-6%</b>
<b><u>OTHER REVENUE</u></b>							
Use of money/property	819,261	819,261	797,730	97%	664,081	133,649	20%
Other revenues	14,000	14,000	51,728	369%	50,592	1,136	2%
<b>TOTAL OTHER REVENUE</b>	<b>833,261</b>	<b>833,261</b>	<b>849,458</b>	<b>102%</b>	<b>714,673</b>	<b>134,785</b>	<b>19%</b>
<b><u>TRANSFERS IN</u></b>							
Park Maintenance	125,000	125,000	93,750	75%	150,000	(56,250)	-38%
Sewer Enterprise	20,000	20,000	18,333	92%	16,042	2,291	14%
Water Enterprise	20,000	20,000	18,333	92%	16,042	2,291	14%
Public Safety	175,000	175,000	160,417	92%	250,250	(89,833)	-36%
Environmental Programs	48,100	48,100	44,092	92%		44,092	n/a
HCD Block Grant	15,000	15,000	-	n/a		-	n/a
Other Funds	-	-	-	n/a	290,058	(290,058)	-100%
<b>TOTAL TRANSFERS IN</b>	<b>403,100</b>	<b>403,100</b>	<b>334,925</b>	<b>83%</b>	<b>722,392</b>	<b>(387,467)</b>	<b>-54%</b>
<b>TOTAL GENERAL FUND</b>	<b>16,839,953</b>	<b>17,095,187</b>	<b>15,982,529</b>	<b>93%</b>	<b>13,908,568</b>	<b>2,073,961</b>	<b>15%</b>



City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2004/05  
For the Month of May 2005  
92% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>SPECIAL REVENUE FUNDS</b>							
<b><u>202 STREET MAINTENANCE</u></b>							
Gas Tax 2105 - 2107.5	674,000	674,000	557,712	83%	550,057	7,655	1%
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a	-	-	n/a
Transfers In	700,000	800,000	625,000	78%	625,000	-	n/a
Project Reimbursement	-	-	355,168	n/a	358,108	(2,940)	-1%
Interest / Other Revenue/Other Charges	29,635	29,635	39,807	134%	27,745	12,062	43%
<b>202 STREET MAINTENANCE</b>	<b>1,403,635</b>	<b>1,503,635</b>	<b>1,577,687</b>	<b>105%</b>	<b>1,560,910</b>	<b>16,777</b>	<b>1%</b>
<b><u>204/205 PUBLIC SAFETY TRUST</u></b>							
Interest Income	6,103	6,103	7,244	119%	7,119	125	2%
Police Grant/SLEF	100,000	100,000	101,200	101%	100,000	1,200	1%
PD Block Grant	-	-	-	n/a	-	-	n/a
CA Law Enforcement Equip.Grant	-	-	-	n/a	-	-	n/a
Federal Police Grant (COPS)	-	-	-	n/a	-	-	n/a
Transfers In	-	-	-	n/a	-	-	n/a
<b>204/205 PUBLIC SAFETY TRUST</b>	<b>106,103</b>	<b>106,103</b>	<b>108,444</b>	<b>102%</b>	<b>107,119</b>	<b>1,325</b>	<b>1%</b>
<b><u>206 COMMUNITY DEVELOPMENT</u></b>							
Building Fees	1,403,000	1,403,000	1,692,413	121%	1,741,001	(48,588)	-3%
Planning Fees	791,621	791,621	610,804	77%	405,803	205,001	51%
Engineering Fees	516,500	516,500	1,063,482	206%	364,786	698,696	192%
Other Revenue/Current Charges	26,188	26,188	51,624	197%	28,339	23,285	82%
Transfers	-	-	-	n/a	27,500	(27,500)	-100%
<b>206 COMMUNITY DEVELOPMENT</b>	<b>2,737,309</b>	<b>2,737,309</b>	<b>3,418,323</b>	<b>125%</b>	<b>2,567,429</b>	<b>850,894</b>	<b>33%</b>
<b>207 GENERAL PLAN UPDATE</b>	<b>80,154</b>	<b>101,154</b>	<b>114,011</b>	<b>113%</b>	<b>92,829</b>	<b>21,182</b>	<b>23%</b>
<b><u>215 and 216 HCD BLOCK GRANT</u></b>							
HCD allocation	166,440	166,440	30,820	19%	24,178	6,642	27%
Interest Income/Other Revenue	9,648	9,648	20,420	212%	6,743	13,677	203%
Transfers	-	-	-	n/a	-	-	n/a
<b>215 and 216 HCD BLOCK GRANT</b>	<b>176,088</b>	<b>176,088</b>	<b>51,240</b>	<b>29%</b>	<b>30,921</b>	<b>20,319</b>	<b>66%</b>
<b>210 COMMUNITY CENTER</b>	<b>52,119</b>	<b>52,119</b>	<b>48,666</b>	<b>93%</b>	<b>3,892</b>	<b>44,774</b>	<b>1150%</b>
<b>225 ASSET SEIZURE</b>	<b>1,020</b>	<b>1,020</b>	<b>17,082</b>	<b>1675%</b>	<b>617</b>	<b>16,465</b>	<b>2669%</b>
<b>229 LIGHTING AND LANDSCAPE</b>	<b>130,766</b>	<b>130,766</b>	<b>69,703</b>	<b>53%</b>	<b>68,778</b>	<b>925</b>	<b>1%</b>
<b>232 ENVIRONMENTAL PROGRAMS</b>	<b>399,491</b>	<b>399,491</b>	<b>363,915</b>	<b>91%</b>	<b>317,486</b>	<b>46,429</b>	<b>15%</b>
<b>234 MOBILE HOME PARK RENT STAB.</b>	<b>5,148</b>	<b>5,148</b>	<b>9,079</b>	<b>176%</b>	<b>54,722</b>	<b>(45,643)</b>	<b>-83%</b>
<b>235 SENIOR HOUSING</b>	<b>5,501</b>	<b>5,501</b>	<b>5,843</b>	<b>106%</b>	<b>4,106</b>	<b>1,737</b>	<b>42%</b>
<b>236 HOUSING MITIGATION</b>	<b>12,031</b>	<b>12,031</b>	<b>734,316</b>	<b>6104%</b>	<b>31,951</b>	<b>702,365</b>	<b>2198%</b>
<b>240 EMPLOYEE ASSISTANCE</b>	<b>29,059</b>	<b>49,059</b>	<b>31,788</b>	<b>65%</b>	<b>29,064</b>	<b>2,724</b>	<b>9%</b>
<b>247 ENVIRONMENT REMEDIATION</b>			<b>13,259</b>	<b>n/a</b>	<b>-</b>	<b>13,259</b>	<b>n/a</b>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>5,138,424</b>	<b>5,279,424</b>	<b>6,563,356</b>	<b>124%</b>	<b>4,869,824</b>	<b>1,693,532</b>	<b>35%</b>



City of Morgan Hill  
Year to Date Revenues - Fiscal Year 2004/05  
For the Month of May 2005  
92% of Year Completed

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>CAPITAL PROJECTS FUNDS</b>							
301 PARK DEVELOPMENT	578,596	591,596	1,214,902	205%	913,067	301,835	33%
302 PARK MAINTENANCE	254,863	254,863	624,637	245%	298,145	326,492	110%
303 LOCAL DRAINAGE	243,292	243,292	603,827	248%	206,989	396,838	192%
304 LOCAL DRAINAGE/NON AB1600	146,377	146,377	250,105	171%	135,702	114,403	84%
306 OPEN SPACE	165,125	165,125	495,913	300%	236,532	259,381	110%
309 TRAFFIC MITIGATION	651,916	651,916	903,347	139%	1,414,424	(511,077)	-36%
311 POLICE MITIGATION	39,568	39,568	139,766	353%	115,044	24,722	21%
313 FIRE MITIGATION	138,417	138,417	162,895	118%	229,038	(66,143)	-29%
<b>317 RDA CAPITAL PROJECTS</b>							
Property Taxes & Supplemental Roll	17,048,868	17,280,277	12,313,300	71%	11,717,528	595,772	5%
Development Agreements			-	n/a		-	n/a
Interest Income, Rents	17,031	17,031	173,373	1018%	222,498	(49,125)	-22%
Other Agencies/Current Charges/Transfer	-	778,976	340,314	n/a	1,544,236	(1,203,922)	-78%
<b>317 RDA CAPITAL PROJECTS</b>	<b>17,065,899</b>	<b>18,076,284</b>	<b>12,826,987</b>	<b>71%</b>	<b>13,484,262</b>	<b>(657,275)</b>	<b>-5%</b>
<b>327/328 RDA L/M HOUSING</b>							
Property Taxes & Supplemental Roll	4,737,350	4,737,350	4,108,805	87%	3,853,508	255,297	7%
Interest Income, Rent	112,277	112,277	336,313	300%	550,371	(214,058)	-39%
Other	100	100	30,956	30956%	760,527	(729,571)	-96%
<b>327/328 RDA L/M HOUSING</b>	<b>4,849,727</b>	<b>4,849,727</b>	<b>4,476,074</b>	<b>92%</b>	<b>5,164,406</b>	<b>(688,332)</b>	<b>-13%</b>
346 PUBLIC FACILITIES NON-AB1600	629,137	629,137	7,072,340	1124%	1,950,076	5,122,264	263%
347 PUBLIC FACILITIES	74,737	74,737	110,979	148%	501,468	(390,489)	-78%
348 LIBRARY	526,000	526,000	78,896	15%	71,045	7,851	11%
350 UNDERGROUNDING	242,742	242,742	176,042	73%	61,802	114,240	185%
340/342 MH BUS.RANCH CIP I & II	2,270	2,270	1,585	70%	1,658	(73)	-4%
360 COMMUNITY/REC IMPACT FUND	44,399	44,399	62,303	140%	15,062	47,241	314%
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>25,653,065</b>	<b>26,676,450</b>	<b>29,200,598</b>	<b>109%</b>	<b>24,798,720</b>	<b>4,401,878</b>	<b>18%</b>
<b>DEBT SERVICE FUNDS</b>							
441 POLICE FACILITY BOND			578,704	n/a		578,704	n/a
536 ENCINO HILLS	1,495	1,495	-	n/a	1,099	(1,099)	-100%
539 MORGAN HILL BUSINESS PARK	250	250	-	n/a	191	(191)	-100%
542 SUTTER BUSINESS PARK	552	552	-	n/a	403	(403)	-100%
545 COCHRANE BUSINESS PARK	279,134	279,134	109,876	39%	111,840	(1,964)	-2%
551 JOLEEN WAY	41,235	41,235	40,695	99%	17,948	22,747	127%
<b>TOTAL DEBT SERVICE FUNDS</b>	<b>322,666</b>	<b>322,666</b>	<b>729,275</b>	<b>226%</b>	<b>131,481</b>	<b>597,794</b>	<b>455%</b>



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FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>ENTERPRISE FUNDS</b>							
<b>640 SEWER OPERATION</b>							
Sewer Service Fees	5,459,000	5,459,000	4,840,216	89%	4,858,576	(18,360)	0%
Interest Income	59,437	59,437	96,233	162%	94,056	2,177	2%
Other Revenue/Current Charges	110,500	110,500	142,350	129%	145,237	(2,887)	-2%
<b>640 SEWER OPERATION</b>	<b>5,628,937</b>	<b>5,628,937</b>	<b>5,078,799</b>	<b>90%</b>	<b>5,097,869</b>	<b>(19,070)</b>	<b>0%</b>
<b>641 SEWER EXPANSION</b>							
Interest Income	94,826	94,826	150,572	159%	90,381	60,191	67%
Connection Fees	1,100,000	1,100,000	1,800,115	164%	2,134,809	(334,694)	-16%
Other	-	-	726	n/a	726	-	n/a
<b>641 SEWER EXPANSION</b>	<b>1,194,826</b>	<b>1,194,826</b>	<b>1,951,413</b>	<b>163%</b>	<b>2,225,916</b>	<b>(274,503)</b>	<b>-12%</b>
<b>642 SEWER RATE STABILIZATION</b>	<b>84,161</b>	<b>84,161</b>	<b>92,417</b>	<b>110%</b>	<b>149,336</b>	<b>(56,919)</b>	<b>-38%</b>
<b>643 SEWER-CAPITAL PROJECT</b>	<b>36,527</b>	<b>36,527</b>	<b>54,235</b>	<b>148%</b>	<b>420,485</b>	<b>(366,250)</b>	<b>-87%</b>
<b>TOTAL SEWER FUNDS</b>	<b>6,944,451</b>	<b>6,944,451</b>	<b>7,176,864</b>	<b>103%</b>	<b>7,893,606</b>	<b>(716,742)</b>	<b>-9%</b>
<b>650 WATER OPERATION</b>							
Water Sales	5,821,375	5,821,375	5,358,717	92%	5,758,159	(399,442)	-7%
Meter Install & Service	40,000	40,000	102,781	257%	35,335	67,446	191%
Transfers-In, and Interest Income	2,516,848	2,516,848	122,181	5%	1,027,728	(905,547)	-88%
Other Revenue/Current Charges	279,688	279,688	663,293	237%	468,443	194,850	42%
<b>650 WATER OPERATION</b>	<b>8,657,911</b>	<b>8,657,911</b>	<b>6,246,972</b>	<b>72%</b>	<b>7,289,665</b>	<b>(1,042,693)</b>	<b>-14%</b>
<b>651 WATER EXPANSION</b>							
Interest Income/Other Revenue/Transfer	5,000,000	5,000,000	394,876	8%	569,900	(175,024)	-31%
Water Connection Fees	200,000	200,000	5,418,000	2709%	408,133	5,009,867	1228%
<b>651 WATER EXPANSION</b>	<b>5,200,000</b>	<b>5,200,000</b>	<b>5,812,876</b>	<b>112%</b>	<b>978,033</b>	<b>4,834,843</b>	<b>494%</b>
<b>652 Water Rate Stabilization</b>	<b>445</b>	<b>445</b>	<b>613</b>	<b>138%</b>	<b>8,763</b>	<b>(8,150)</b>	<b>-93%</b>
<b>653 Water Capital Project</b>	<b>1,016,646</b>	<b>1,016,646</b>	<b>2,476,730</b>	<b>244%</b>	<b>583,219</b>	<b>1,893,511</b>	<b>325%</b>
<b>TOTAL WATER FUNDS</b>	<b>14,875,002</b>	<b>14,875,002</b>	<b>14,537,191</b>	<b>98%</b>	<b>8,859,680</b>	<b>5,677,511</b>	<b>64%</b>
<b>TOTAL ENTERPRISE FUNDS</b>	<b>21,819,453</b>	<b>21,819,453</b>	<b>21,714,055</b>	<b>100%</b>	<b>16,753,286</b>	<b>4,960,769</b>	<b>30%</b>
<b>INTERNAL SERVICE FUNDS</b>							
<b>730 INFORMATION SERVICES</b>	<b>279,995</b>	<b>279,995</b>	<b>260,747</b>	<b>93%</b>	<b>224,822</b>	<b>35,925</b>	<b>16%</b>
<b>740 BUILDING MAINTENANCE SERVICES</b>	<b>1,652,610</b>	<b>1,652,610</b>	<b>1,514,892</b>	<b>92%</b>	<b>818,241</b>	<b>696,651</b>	<b>85%</b>
<b>745 CIP ADMINISTRATION</b>	<b>1,395,765</b>	<b>1,395,765</b>	<b>1,077,827</b>	<b>77%</b>	<b>1,185,017</b>	<b>(107,190)</b>	<b>-9%</b>
<b>760 UNEMPLOYMENT INSURANCE</b>	<b>60,484</b>	<b>60,484</b>	<b>30,271</b>	<b>50%</b>	<b>22,088</b>	<b>8,183</b>	<b>37%</b>
<b>770 WORKERS COMPENSATION</b>	<b>875,300</b>	<b>875,300</b>	<b>765,377</b>	<b>87%</b>	<b>652,994</b>	<b>112,383</b>	<b>17%</b>
<b>790 EQUIPMENT REPLACEMENT</b>	<b>373,009</b>	<b>384,009</b>	<b>348,612</b>	<b>91%</b>	<b>223,040</b>	<b>125,572</b>	<b>56%</b>
<b>793 CORPORATION YARD COMMISSION</b>	<b>136,715</b>	<b>136,715</b>	<b>70,813</b>	<b>52%</b>	<b>192,614</b>	<b>(121,801)</b>	<b>-63%</b>
<b>795 GENERAL LIABILITY INSURANCE</b>	<b>453,709</b>	<b>453,709</b>	<b>411,935</b>	<b>91%</b>	<b>357,573</b>	<b>54,362</b>	<b>15%</b>
<b>TOTAL INTERNAL SERVICE FUNDS</b>	<b>5,227,587</b>	<b>5,238,587</b>	<b>4,480,474</b>	<b>86%</b>	<b>3,676,389</b>	<b>804,085</b>	<b>22%</b>



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FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
<b>AGENCY FUNDS</b>							
841 M.H. BUS.RANCH A.D. I	-	-	285,550	n/a	383,355	(97,805)	-26%
842 M.H. BUS.RANCH A.D. II	-	-	25,498	n/a	36,550	(11,052)	-30%
843 M.H. BUS.RANCH 1998	905,353	905,353	682,024	75%	418,949	263,075	63%
844 M.H. RANCH REFUNDING 2004A	619,142	619,142	732,365	118%	760,610	(28,245)	-4%
845 MADRONE BP-TAX EXEMPT	826,553	826,553	530,815	64%	399,887	130,928	33%
846 MADRONE BP-TAXABLE	179,459	179,459	71,070	40%	83,942	(12,872)	-15%
848 TENNANT AVE.BUS.PK A.D.	37,993	37,993	37,644	99%	66,717	(29,073)	-44%
881 POLICE DONATION TRUST FUND	465	465	495	106%	344	151	44%
<b>TOTAL AGENCY FUNDS</b>	<b>2,568,965</b>	<b>2,568,965</b>	<b>2,365,461</b>	<b>92%</b>	<b>2,150,354</b>	<b>215,107</b>	<b>10%</b>
<b>TOTAL FOR ALL FUNDS</b>	<b>77,570,113</b>	<b>79,000,732</b>	<b>81,035,748</b>	<b>103%</b>	<b>66,288,622</b>	<b>15,580,936</b>	<b>24%</b>



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FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
<b>010 GENERAL FUND</b>								
<b>I. GENERAL GOVERNMENT</b>								
<b>COUNCIL AND MISCELLANEOUS GOVT.</b>								
	City Council	41,528	174,319	204,648	206,805	3,723	210,528	103%
	Community Promotions	1,112	28,114	28,114	14,360	-	14,360	51%
	<b>COUNCIL AND MISCELLANEOUS GO</b>	<b>42,640</b>	<b>202,433</b>	<b>232,762</b>	<b>221,165</b>	<b>3,723</b>	<b>224,888</b>	<b>97%</b>
	<b>CITY ATTORNEY</b>	<b>181,593</b>	<b>566,191</b>	<b>850,022</b>	<b>927,705</b>	<b>238,848</b>	<b>1,166,553</b>	<b>137%</b>
<b>CITY MANAGER</b>								
	City Manager	23,204	318,659	318,659	285,135		285,135	89%
	Cable Television	1,116	44,961	44,961	38,989	3,370	42,359	94%
	Communications & Marketing	3,797	71,045	71,045	52,871	726	53,597	75%
	<b>CITY MANAGER</b>	<b>28,117</b>	<b>434,665</b>	<b>434,665</b>	<b>376,995</b>	<b>4,096</b>	<b>381,091</b>	<b>88%</b>
<b>RECREATION</b>								
	Recreation	18,953	285,551	285,551	254,864	37,500	292,364	102%
	Community & Cultural Center	101,739	1,287,874	1,346,160	1,025,645	149,779	1,175,424	87%
	Aquatics Center	92,739	1,179,260	1,434,494	1,299,229	7,784	1,307,013	91%
	<b>RECREATION</b>	<b>213,431</b>	<b>2,752,685</b>	<b>3,066,205</b>	<b>2,579,738</b>	<b>195,063</b>	<b>2,774,801</b>	<b>90%</b>
<b>HUMAN RESOURCES</b>								
	Human Resources	35,565	485,417	485,417	446,066	-	446,066	92%
	Volunteer Programs	4,293	55,912	55,912	47,676	-	47,676	85%
	<b>HUMAN RESOURCES</b>	<b>39,858</b>	<b>541,329</b>	<b>541,329</b>	<b>493,742</b>		<b>493,742</b>	<b>91%</b>
<b>CITY CLERK</b>								
	City Clerk	19,569	252,920	277,261	233,771	-	233,771	84%
	Elections	3,270	100,296	100,296	82,440	-	82,440	82%
	<b>CITY CLERK</b>	<b>22,839</b>	<b>353,216</b>	<b>377,557</b>	<b>316,211</b>	<b>-</b>	<b>316,211</b>	<b>84%</b>
	<b>FINANCE</b>	<b>66,956</b>	<b>927,327</b>	<b>927,327</b>	<b>815,075</b>	<b>-</b>	<b>815,075</b>	<b>88%</b>
				5,000				
	<b>MEDICAL SERVICES</b>	<b>-</b>					<b>-</b>	<b>n/a</b>
	<b>TOTAL GENERAL GOVERNMENT</b>	<b>595,434</b>	<b>5,777,846</b>	<b>6,434,867</b>	<b>5,730,631</b>	<b>441,730</b>	<b>6,172,361</b>	<b>96%</b>
<b>II. PUBLIC SAFETY</b>								
<b>POLICE</b>								
	PD Administration	50,802	614,784	614,784	593,542	-	593,542	97%
	Patrol	308,280	4,106,920	4,121,520	3,662,625	11,178	3,673,803	89%
	Support Services	59,567	949,449	949,449	774,070	19,399	793,469	84%
	Emergency Services/Haz Mat	955	46,252	50,264	15,381	4,013	19,394	39%
	Special Operations	95,688	1,195,840	1,203,958	1,213,332	8,411	1,221,743	101%
	Animal Control	6,203	86,078	86,078	80,552		80,552	94%
	Dispatch Services	67,951	988,927	989,577	769,840	766	770,606	78%
	<b>POLICE</b>	<b>589,446</b>	<b>7,988,250</b>	<b>8,015,630</b>	<b>7,109,342</b>	<b>43,767</b>	<b>7,153,109</b>	<b>89%</b>
	<b>FIRE</b>	<b>349,531</b>	<b>4,194,617</b>	<b>4,194,617</b>	<b>3,844,955</b>	<b>-</b>	<b>3,844,955</b>	<b>92%</b>
	<b>TOTAL PUBLIC SAFETY</b>	<b>938,977</b>	<b>12,182,867</b>	<b>12,210,247</b>	<b>10,954,297</b>	<b>43,767</b>	<b>10,998,064</b>	<b>90%</b>
<b>III. COMMUNITY IMPROVEMENT</b>								
	<b>PARK MAINTENANCE</b>	<b>39,028</b>	<b>705,572</b>	<b>706,957</b>	<b>569,165</b>	<b>11,778</b>	<b>580,943</b>	<b>82%</b>
	<b>TOTAL COMMUNITY IMPROVEMENT</b>	<b>39,028</b>	<b>705,572</b>	<b>706,957</b>	<b>569,165</b>	<b>11,778</b>	<b>580,943</b>	<b>82%</b>





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FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
<b>IV. TRANSFERS</b>								
	General Plan Update			9,000	-	-	-	n/a
	Community Center	4,167	50,000	50,000	45,833	-	45,833	
	Info Systems		49,025	49,025	49,025	-	49,025	100%
	RDA Capital Project	-		28,976	-	-	-	n/a
<b>TOTAL TRANSFERS</b>		<b>4,167</b>	<b>99,025</b>	<b>137,001</b>	<b>94,858</b>	<b>-</b>	<b>94,858</b>	<b>69%</b>
<b>TOTAL GENERAL FUND</b>		<b>1,577,606</b>	<b>18,765,310</b>	<b>19,489,072</b>	<b>17,348,951</b>	<b>497,275</b>	<b>17,846,226</b>	<b>92%</b>
<b>SPECIAL REVENUE FUNDS</b>								
<b>202 STREET MAINTENANCE</b>								
	Street Maintenance/Traffic	52,154	1,593,914	1,634,617	1,366,174	116,536	1,482,710	91%
	Congestion Management	3,433	80,329	80,329	62,454		62,454	78%
	Street CIP	57,727	44,993	521,027	344,036	115,085	459,121	88%
<b>202 STREET MAINTENANCE</b>		<b>113,314</b>	<b>1,719,236</b>	<b>2,235,973</b>	<b>1,772,664</b>	<b>231,621</b>	<b>2,004,285</b>	<b>90%</b>
<b>204/205</b>	<b>PUBLIC SAFETY/SUPP.LAW</b>	<b>14,627</b>	<b>175,520</b>	<b>175,520</b>	<b>160,893</b>		<b>160,893</b>	<b>92%</b>
<b>206 COMMUNITY DEVELOPMENT FUND</b>								
	Planning	92,144	1,086,783	1,236,714	1,043,174	88,879	1,132,053	92%
	Building	65,588	1,038,955	1,055,719	784,552	93,569	878,121	83%
	PW-Engineering	66,951	1,096,107	1,121,274	840,330	61,138	901,468	80%
<b>206 COMMUNITY DEVELOPMENT FUND</b>		<b>224,683</b>	<b>3,221,845</b>	<b>3,413,707</b>	<b>2,668,056</b>	<b>243,586</b>	<b>2,911,642</b>	<b>85%</b>
<b>207</b>	<b>GENERAL PLAN UPDATE</b>	<b>7,357</b>	<b>60,498</b>	<b>177,742</b>	<b>35,567</b>	<b>54,895</b>	<b>90,462</b>	<b>51%</b>
<b>210</b>	<b>COMMUNITY CENTER</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>215/216</b>	<b>CDBG</b>	<b>19,381</b>	<b>288,007</b>	<b>657,039</b>	<b>138,111</b>	<b>58,233</b>	<b>196,344</b>	<b>30%</b>
<b>225</b>	<b>ASSET SEIZURE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,794</b>	<b>1,402</b>	<b>47,196</b>	<b>n/a</b>
<b>229</b>	<b>LIGHTING AND LANDSCAPE</b>	<b>14,381</b>	<b>14,038</b>	<b>140,038</b>	<b>117,232</b>	<b>28,240</b>	<b>145,472</b>	<b>104%</b>
<b>232</b>	<b>ENVIRONMENT PROGRAMS</b>	<b>87,791</b>	<b>417,937</b>	<b>535,570</b>	<b>336,480</b>	<b>86,565</b>	<b>423,045</b>	<b>79%</b>
<b>234</b>	<b>MOBILE HOME PARK</b>	<b>124</b>	<b>5,202</b>	<b>200,545</b>	<b>10,889</b>		<b>10,889</b>	<b>5%</b>
<b>235</b>	<b>SENIOR HOUSING TRUST FUNI</b>	<b>6,740</b>	<b>20,180</b>	<b>20,180</b>	<b>10,546</b>	<b>5,712</b>	<b>16,258</b>	<b>81%</b>
<b>236</b>	<b>HOUSING MITIGATION FUND</b>	<b>-</b>	<b>1,015,000</b>	<b>1,015,000</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>	<b>1%</b>
<b>240</b>	<b>EMPLOYEE ASSISTANCE</b>	<b>-</b>	<b>25,000</b>	<b>45,000</b>	<b>33,323</b>	<b>-</b>	<b>33,323</b>	<b>74%</b>
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>488,398</b>	<b>6,962,463</b>	<b>8,616,314</b>	<b>5,344,555</b>	<b>710,254</b>	<b>6,054,809</b>	<b>70%</b>
<b>CAPITAL PROJECT FUNDS</b>								
<b>301</b>	<b>PARK DEVELOPMENT</b>	<b>18,621</b>	<b>2,062,944</b>	<b>2,889,271</b>	<b>91,575</b>	<b>131,982</b>	<b>223,557</b>	<b>8%</b>
<b>302</b>	<b>PARK MAINTENANCE</b>	<b>62,695</b>	<b>150,000</b>	<b>150,000</b>	<b>94,578</b>	<b>14,850</b>	<b>109,428</b>	<b>73%</b>
<b>303</b>	<b>LOCAL DRAINAGE</b>	<b>128</b>	<b>2,001,536</b>	<b>2,001,536</b>	<b>1,408</b>		<b>1,408</b>	<b>0%</b>
<b>304</b>	<b>LOCAL DRAIN. NON-AB1600</b>	<b>6,750</b>	<b>841,669</b>	<b>854,739</b>	<b>73,266</b>	<b>2,950</b>	<b>76,216</b>	<b>9%</b>
<b>306</b>	<b>OPEN SPACE</b>	<b>-</b>			<b>1,569</b>		<b>1,569</b>	
<b>309</b>	<b>TRAFFIC MITIGATION</b>	<b>13,645</b>	<b>1,050,000</b>	<b>2,246,433</b>	<b>432,806</b>	<b>952,582</b>	<b>1,385,388</b>	<b>62%</b>
<b>311</b>	<b>POLICE MITIGATION</b>	<b>495</b>	<b>88,937</b>	<b>98,444</b>	<b>70,326</b>	<b>10,000</b>	<b>80,326</b>	<b>82%</b>
<b>313</b>	<b>FIRE MITIGATION</b>	<b>115</b>	<b>101,380</b>	<b>132,676</b>	<b>1,265</b>	<b>9,101</b>	<b>10,366</b>	<b>8%</b>
<b>317</b>	<b>RDA BUSINESS ASSISTANCE</b>	<b>519,724</b>	<b>13,453,262</b>	<b>22,066,158</b>	<b>6,957,911</b>	<b>6,887,468</b>	<b>13,845,379</b>	<b>63%</b>
<b>327/328</b>	<b>RDA HOUSING</b>	<b>2,148,779</b>	<b>5,824,189</b>	<b>6,589,093</b>	<b>5,002,965</b>	<b>43,472</b>	<b>5,046,437</b>	<b>77%</b>
<b>340/342</b>	<b>MH BUS RANCH CIP</b>	<b>7,930</b>			<b>82,144</b>	<b>9,481</b>	<b>91,625</b>	<b>n/a</b>
<b>346</b>	<b>PUBLIC FAC.NON AB1600</b>	<b>34,798</b>	<b>553,000</b>	<b>7,562,887</b>	<b>7,015,853</b>	<b>398,354</b>	<b>7,414,207</b>	<b>98%</b>
<b>347</b>	<b>PUBLIC FACILITIES</b>	<b>114</b>	<b>1,365</b>	<b>11,115</b>	<b>1,251</b>	<b>9,750</b>	<b>11,001</b>	<b>99%</b>
<b>348</b>	<b>LIBRARY IMPACT</b>	<b>17</b>	<b>1,000,202</b>	<b>1,000,202</b>	<b>185</b>		<b>185</b>	<b>0%</b>
<b>350</b>	<b>UNDERGROUNDING</b>	<b>220</b>	<b>375,390</b>	<b>722,865</b>	<b>84,571</b>	<b>35,968</b>	<b>120,539</b>	<b>17%</b>
<b>360</b>	<b>COMM/REC CTR IMPACT</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n/a</b>
<b>TOTAL CAPITAL PROJECTS FUNDS</b>		<b>2,814,031</b>	<b>27,553,874</b>	<b>46,375,419</b>	<b>19,911,673</b>	<b>8,505,958</b>	<b>28,417,631</b>	<b>61%</b>



City of Morgan Hill  
Year to Date Expenses - Fiscal Year 2004/05  
For the Month of May 2005  
92% of Year Completed

FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET
<b>DEBT SERVICE FUNDS</b>								
441	POLICE FACILITY BOND DEBT	9	-	-	122,344	-	122,344	n/a
539	MORGAN HILL BUS. PARK A.D.	-	-	-	-	-	-	n/a
542	SUTTER BUS. PARK A.D.	-	-	-	-	-	-	n/a
545	COCHRANE BUS. PARK A.D.	655	194,200	194,200	192,187	-	192,187	99%
551	JOLEEN WAY A.D.	655	39,561	39,561	38,827	-	38,827	98%
<b>TOTAL DEBT SERVICE FUNDS</b>		<b>1,319</b>	<b>233,761</b>	<b>233,761</b>	<b>353,358</b>	<b>-</b>	<b>353,358</b>	<b>151%</b>
<b>ENTERPRISE FUNDS</b>								
<b>SEWER</b>								
640	SEWER OPERATION	390,151	6,450,819	6,529,282	5,833,225	222,166	6,055,391	93%
641	CAPITAL EXPANSION	15,241	3,556,745	3,946,185	706,666	606,781	1,313,447	33%
642	SEWER RATE STABILIZATION	176	2,117	2,117	1,941	-	1,941	92%
643	SEWER-CAPITAL PROJECTS	18,041	472,539	1,515,015	667,973	618,314	1,286,287	85%
<b>TOTAL SEWER FUND(S)</b>		<b>423,609</b>	<b>10,482,220</b>	<b>11,992,599</b>	<b>7,209,805</b>	<b>1,447,261</b>	<b>8,657,066</b>	<b>72%</b>
<b>WATER</b>								
	Water Operations Division	695,722	6,541,316	6,912,203	5,148,789	639,211	5,788,000	84%
	Meter Reading/Repair	37,331	719,352	743,447	545,822	123,106	668,928	90%
	Utility Billing	31,166	392,283	392,283	352,788	2,471	355,259	91%
	Water Conservation	4,800	59,466	77,712	45,180	-	45,180	58%
650	WATER OPERATIONS	769,019	7,712,417	8,125,645	6,092,579	764,788	6,857,367	84%
651	CAPITAL EXPANSION	183,869	2,845,226	4,334,398	985,682	75,708	1,061,390	24%
652	WATER RATE STABILIZATION	41	493	493	452	-	452	92%
653	WATER-CAPITAL PROJECTS	537,264	1,115,923	3,170,822	1,269,229	2,896,221	4,165,450	131%
<b>TOTAL WATER FUND(S)</b>		<b>1,490,193</b>	<b>11,674,059</b>	<b>15,631,358</b>	<b>8,347,942</b>	<b>3,736,717</b>	<b>12,084,659</b>	<b>77%</b>
<b>TOTAL ENTERPRISE FUNDS</b>		<b>1,913,802</b>	<b>22,156,279</b>	<b>27,623,957</b>	<b>15,557,747</b>	<b>5,183,978</b>	<b>20,741,725</b>	<b>75%</b>
<b>INTERNAL SERVICE FUNDS</b>								
730	INFORMATION SERVICES	43,827	430,970	537,243	350,974	176,304	527,278	98%
740	BUILDING MAINTENANCE	90,314	1,343,445	1,343,445	1,131,493	24,198	1,155,691	86%
745	CIP ENGINEERING	107,595	1,395,765	1,431,786	1,078,417	19,039	1,097,456	77%
760	UNEMPLOYMENT	6,154	55,000	55,000	32,983	-	32,983	60%
770	WORKERS COMPENSATION	14,929	767,200	789,775	573,984	-	573,984	73%
790	EQUIPMENT REPLACEMENT	111,666	187,240	237,240	207,341	46,239	253,580	107%
793	CORP YARD COMMISSION	21,092	130,200	173,208	117,499	10,246	127,745	74%
795	GEN. LIABILITY INSURANCE	3,100	427,700	427,700	492,816	-	492,816	115%
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>398,677</b>	<b>4,737,520</b>	<b>4,995,397</b>	<b>3,985,507</b>	<b>276,026</b>	<b>4,261,533</b>	<b>85%</b>
<b>AGENCY FUNDS</b>								
841	MORGAN HILL BUS RANCH I	-	-	-	667,489	-	667,489	n/a
842	MORGAN HILL BUS RANCH II	-	-	-	57,647	-	57,647	n/a
843	MORGAN HILL BUS RANCH 98	655	893,395	893,395	868,445	-	868,445	97%
844	MH RANCH RSMNT 2004A	905	598,873	598,873	180,298	-	180,298	30%
845	MADRONE BP-TAX EXEMPT	2,137	800,730	800,730	1,185,224	-	1,185,224	148%
846	MADRONE BP-TAXABLE	762	175,480	175,482	320,482	-	320,482	183%
848	TENNANT AVE BUS PARK AD	-	-	-	-	-	-	n/a
881	POLICE DONATION TRUST	-	-	-	-	-	-	n/a
<b>TOTAL AGENCY FUNDS</b>		<b>4,459</b>	<b>2,468,478</b>	<b>2,468,480</b>	<b>3,279,585</b>	<b>-</b>	<b>3,279,585</b>	<b>133%</b>
<b>REPORT TOTAL</b>		<b>7,198,292</b>	<b>82,877,685</b>	<b>109,802,400</b>	<b>65,781,376</b>	<b>15,173,491</b>	<b>80,954,867</b>	<b>74%</b>



YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

	Sewer Operations				Water Operations			
	Budget	YTD	% of Budget	Prior YTD	Budget	YTD	% of Budget	Prior YTD
<b>Operations</b>								
<b>Revenues</b>								
Service Charges	\$ 5,459,000	\$ 4,840,216	89%	\$ 4,858,576	\$ 5,821,375	\$ 5,358,717	92%	\$ 5,758,159
Meter Install & Service					40,000	102,781	257%	35,335
Other	110,500	142,350	129%	145,237	279,688	663,293	237%	573,460
<b>Total Operating Revenues</b>	<b>5,569,500</b>	<b>4,982,566</b>	<b>89%</b>	<b>5,003,813</b>	<b>6,141,063</b>	<b>6,124,791</b>	<b>100%</b>	<b>6,366,954</b>
<b>Expenses</b>								
Operations	4,682,409	4,084,262	87%	4,058,840	4,750,307	4,307,363	91%	4,550,512
Meter Reading/Repair					637,156	545,822	86%	523,319
Utility Billing/Water Conservation					399,783	397,968	100%	326,063
<b>Total Operating Expenses</b>	<b>4,682,409</b>	<b>4,084,262</b>	<b>87%</b>	<b>4,058,840</b>	<b>5,787,246</b>	<b>5,251,153</b>	<b>91%</b>	<b>5,399,894</b>
<b>Operating Income (Loss)</b>	<b>887,091</b>	<b>898,304</b>		<b>944,973</b>	<b>353,817</b>	<b>873,638</b>		<b>967,060</b>
<b>Nonoperating revenue (expense)</b>								
Interest Income	59,437	96,233	162%	94,056	16,848	122,181	725%	51,224
Interest Expense/Debt Services	(573,410)	(572,296)	100%	(586,625)	(243,249)	(238,464)	98%	(158,960)
Principal Expense/Debt Services	(975,000)	(975,000)	100%	(1,115,000)	(310,296)	(217,962)	70%	(31,260)
<b>Total Nonoperating revenue (expense)</b>	<b>(1,488,973)</b>	<b>(1,451,063)</b>		<b>(1,607,569)</b>	<b>(536,697)</b>	<b>(334,245)</b>		<b>(138,996)</b>
Income before operating xfers	(601,882)	(552,759)		(662,596)	(182,880)	539,393		828,064
Operating transfers in	-	-		-	2,500,000	-		871,487
Operating transfers (out)	(220,000)	(201,667)	92%	(719,404)	(420,000)	(385,000)	92%	(503,507)
<b>Net Income (Loss)</b>	<b>\$ (821,882)</b>	<b>\$ (754,426)</b>		<b>\$ (1,382,000)</b>	<b>\$ 1,897,120</b>	<b>\$ 154,393</b>		<b>\$ 1,196,044</b>



**City of Morgan Hill**  
**Balance Sheets - Water and Sewer Funds**  
**For the Month of May 2005**  
**92% of Year Completed**

	<b>Sewer Operations (640)</b>	<b>Sewer Expansion Stabilization Capital Projects (641-643)</b>	<b>Water Operations (650)</b>	<b>Water Expansion Stabilization Capital Projects (651-653)</b>
<b>ASSETS</b>				
<b>Cash and investments:</b>				
<b>Unrestricted</b>	2,300,262	6,200,990	2,773,805	3,512,537
<b>Restricted <sup>1</sup></b>	1,894,414	7,018,413	414,720	5,826,226
<b>Accounts Receivable</b>		8,083		588
<b>Utility Receivables</b>	687,901		772,326	
<b>Less Allowance for Doubtful Accounts</b>	(16,091)		(19,501)	
<b>Notes Receivable <sup>2</sup></b>		9,551	273,763	
<b>Fixed Assets <sup>3</sup></b>	31,101,346	11,110,295	24,500,752	10,533,791
<b>Total Assets</b>	<u>35,967,832</u>	<u>24,347,332</u>	<u>28,715,865</u>	<u>19,873,142</u>
<b>LIABILITIES</b>				
<b>Accounts Payable and Accrued Liabilities</b>	274,034	110,713	93,697	14,187
<b>Deposits for Water Services &amp; Other Deposits</b>			23,375	
<b>Deferred Revenue <sup>4</sup></b>				
<b>Bonds Payable</b>	24,275,000		5,830,437	
<b>Discount on Bonds and Other Liabilities</b>	(2,565,506)		(978,154)	273,762
<b>Accrued Vacation and Comp Time</b>	53,325		91,552	
<b>Total liabilities</b>	<u>22,036,853</u>	<u>110,713</u>	<u>5,060,907</u>	<u>287,949</u>
<b>FUND EQUITY</b>				
<b>Contributed Capital</b>	7,735,831		14,356,292	
<b>Retained Earnings</b>				
<b>Reserved for:</b>				
<b>Noncurrent water/sewer assets &amp; debt</b>	9,338,527	11,110,295	19,830,680	10,260,029
<b>Encumbrances</b>	222,166	1,225,095	764,788	2,971,929
<b>Notes Receivable</b>		9,551		
<b>Restricted Cash</b>	1,894,414		414,720	5,826,226
<b>Total Reserved Retained Earnings</b>	11,455,107	12,344,941	21,010,188	19,058,184
<b>Unreserved Retained Earnings</b>	2,475,872	11,891,678	2,644,770	527,009
<b>Total Fund Equity</b>	<u>13,930,979</u>	<u>24,236,619</u>	<u>23,654,958</u>	<u>19,585,193</u>
<b>Total Liabilities and Fund Equity</b>	<u>35,967,832</u>	<u>24,347,332</u>	<u>28,715,865</u>	<u>19,873,142</u>

<sup>1</sup> Restricted for Bond Reserve requirements and capital expansion.

<sup>2</sup> Includes Note for Sewer Financing Agreements.

<sup>3</sup> Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

<sup>4</sup> Includes the deferred payment portion of the loans noted above.



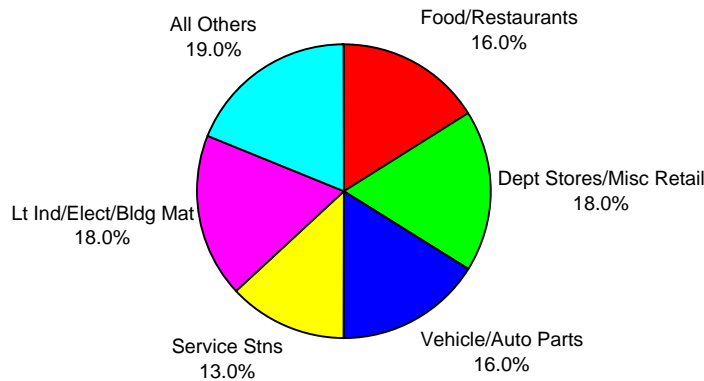
<sup>1</sup> Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.  
<sup>2</sup> Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.  
<sup>3</sup> Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.  
<sup>4</sup> Includes the deferred payment portion of the loans noted above.  
<sup>5</sup> Designated as a general reserve.



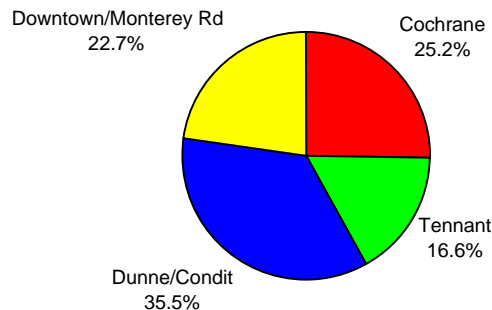
**City of Morgan Hill**  
**Sales Tax Comparison - Fiscal Year 2004/05**  
**For the Month of May 2005**  
**92% of Year Completed**

Month	Amount Collected for Month for Fiscal Year			Amount Collected YTD for Fiscal Year			Comparison of YTD for fiscal years	
	04/05	03/04	02/03	04/05	03/04	02/03	04/05 to 03/04	04/05 to 02/03
July	\$307,500	\$338,300	\$367,600	\$307,500	\$338,300	\$367,600	(30,800)	(60,100)
August	\$401,200	\$451,000	\$447,000	\$708,700	\$789,300	\$814,600	(80,600)	(105,900)
September	\$518,724	\$232,994	\$361,932	\$1,227,424	\$1,022,294	\$1,176,532	205,130	50,892
October	\$223,145	\$316,100	\$354,915	\$1,450,569	\$1,338,394	\$1,531,447	112,175	(80,878)
November	\$299,300	\$421,400	\$474,800	\$1,749,869	\$1,759,794	\$2,006,247	(9,925)	(256,378)
December	\$442,460	\$331,624	\$384,154	\$2,192,329	\$2,091,418	\$2,390,401	100,911	(198,072)
January	\$708,525	\$349,500	\$368,600	\$2,900,854	\$2,440,918	\$2,759,001	459,936	141,853
February	\$297,415	\$428,600	\$487,195	\$3,198,269	\$2,869,518	\$3,246,196	328,751	(47,927)
March	\$564,262	\$292,930	\$225,908	\$3,762,531	\$3,162,448	\$3,472,104	600,083	290,427
April	\$214,162	\$340,500	\$292,698	\$3,976,693	\$3,502,948	\$3,764,802	473,745	211,891
May	\$769,125	\$385,525	\$394,500	\$4,745,818	\$3,888,473	\$4,159,302	857,345	586,516
June		\$261,782	\$477,624		\$4,150,255	\$4,636,926		
<b>Year To Date Totals</b>				<b>\$4,745,818</b>	<b>\$4,150,255</b>	<b>\$4,636,926</b>		
Sales Tax Budget for Year				\$4,600,000	\$4,650,000	\$5,330,000		
<b>Percent of Budget</b>				<b>103%</b>	<b>89%</b>	<b>87%</b>		
<b>Percent of increase(decrease)</b>							<b>22%</b>	<b>14%</b>

**Sales Tax Distribution  
by Business Segment  
Second Quarter 2004**



**Sales Distribution  
by Area  
Second Quarter 2004**





## CITY COUNCIL STAFF REPORT

**MEETING DATE:** *June 22, 2005*

### RESOLUTION APPROVING APPLICATION FOR FEDERAL SURFACE TRANSPORTATION PROGRAM FUNDING FOR 2005-06 STREET RESURFACING PROGRAM

**RECOMMENDED ACTION(S):** Adopt attached Resolution supporting the application for Federal Surface Transportation (STP) Program for the 2005-06 Pavement Resurfacing Project.

**Agenda Item # 3**

**Prepared By:**

**Deputy Director Public  
Works/Operations**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**

**EXECUTIVE SUMMARY:** The Santa Clara Valley Transportation Authority has issued a call for projects for the Federal Surface Transportation Program (STP) for Local Streets and Roads Rehabilitation for the funding cycle of 2005-06. Staff has already applied for this funding to meet the June 6, 2005 application filling date. The call for projects included requirements to submit a City Council Resolution approving of the application by August 1, 2005.

In August 2004, Council approved an initial application for STP funding for the pavement resurfacing of Cochrane Road from Monterey Road to 101. Roadways classified as Arterials, which were also designated as Metropolitan Transportation System Roadways, were the only roadways eligible for these funds. The segment of Cochrane Road from Monterey Road to 101 was the only roadway segment in Morgan Hill that met this criterion other than Monterey Road. However, Monterey Road had been resurfaced over the last 3 years of Pavement Resurfacing projects.

Now an additional \$117,420 in STP funding is available to Morgan Hill for any roadway classified as an Arterial or a Collector. This allowed staff to make application to resurface East Main Avenue from the Union Pacific Railroad Crossing to Calle Mazatan. Our computerized Pavement Management Program identifies all of Main Avenue both east and west of Monterey Road as a resurfacing priority due to its condition and traffic volume. A local match of \$15,380 is required to utilize the STP additional funding.

A complete application for the additional STP funding must include an authorizing resolution approved by the City Council. The resolution is attached.

**FISCAL IMPACT:** The \$15,380 local match funds are available from carry over 2004-05 and new 2005-06 CIP Pavement Resurfacing Program Budgets.

## **RESOLUTION NO.**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AUTHORIZING THE FILING OF AN APPLICATION FOR FEDERAL SURFACE TRANSPORTATION PROGRAM FUNDING FOR THE 2005-06 PAVEMENT RESURFACING PROGRAM AND COMMITTING THE NECESSARY NON-FEDERAL MATCH FOR THE PROJECT AND STATING THE ASSURANCE OF THE CITY OF MORGAN HILL TO COMPLETE THIS PROJECT.**

**WHEREAS**, the Transportation Equity Act for the 21<sup>st</sup> Century (TEA 21) (Public Law 105-178, June 9, 1998) and the TEA 21 Restoration Act (Public Law 105-206, July 22, 1998) continue the Surface Transportation Program (23 U.S.C. 133); and

**WHEREAS**, the TEA-21 legislation will guide Surface Transportation Program until the TEA-21 Reauthorization bill is authorized; and

**WHEREAS**, pursuant to TEA-21 and the regulations promulgated thereunder, eligible project sponsors wishing to receive Surface Transportation Program grants for a project shall submit an application first with the appropriate metropolitan transportation planning organization (MPO), for review and inclusion in the MPO's Transportation Improvement Program (TIP); and

**WHEREAS**, the Metropolitan Transportation Commission is the MPO for the San Francisco Bay Region; and

**WHEREAS**, the City of Morgan Hill is an eligible project sponsor for Surface Transportation Program; and

**WHEREAS**, the City of Morgan Hill wishes to submit an application to MTC for funds from the Surface Transportation Program in fiscal years 2005-06 and 2006-07 for the 2005-06 Pavement Resurfacing Program; and

**WHEREAS**, MTC requires, as a part of the application, a resolution stating the following:

- 1) the commitment of local matching funds of at least 11.47%; and
- 2) that the sponsor understands that the Surface Transportation Program funding is fixed at the programmed amount, and therefore any cost increase cannot be expected to be funded with Surface Transportation Program funds; and
- 3) the assurance of the sponsor to complete the project as described in the application, and if approved, programmed for in the TIP, and
- 4) that the sponsor understands that the funds must be obligated by June 30 of the year that the project is programmed for in the TIP, or the project may be removed from the program; and
- 5) that the sponsor has a MTC certified pavement management system (PMS).



**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Morgan Hill that the City Manager is authorized to execute and file an application for funding under the Surface Transportation Program of TEA-21 Reauthorization in the amount of \$117,420 for the 2005-06 Pavement Resurfacing Program; and

**BE IT FURTHER RESOLVED** by the City Council of the City of Morgan Hill that by adopting this resolution does hereby state that:

- 1) The City of Morgan Hill will provide \$15,380 in non-federal matching funds; and
- 2) The City of Morgan Hill understands that the Surface Transportation Program funding is fixed at the programmed amount, and that any cost increases must be funded by the City of Morgan Hill from local matching funds, and that the City of Morgan Hill does not expect any cost increases to be funded with Surface Transportation Program funds; and
- 3) The 2005-06 Pavement Resurfacing Program will be built as described in this resolution and, if approved, for the amount shown in the Metropolitan Transportation Commission (MTC) Transportation Improvement Program (TIP) with obligation occurring within the timeframe established below; and
- 4) The program funds are expected to be obligated by June 30 of the year the project is programmed for in the TIP.

**BE IT FURTHER RESOLVED** by the City Council of the City of Morgan Hill that the City Manager is authorized to submit an application for Surface Transportation Program funds for the 2005-06 Pavement Resurfacing Program; and

**BE IT FURTHER RESOLVED** by the City Council of the City of Morgan Hill that there is no legal impediment to the City of Morgan Hill making applications for Federal STP Road Rehabilitation Program funds; and

**BE IT FURTHER RESOLVED** by the City Council of the City of Morgan Hill that there is no pending or threatened litigation which might in any way adversely affect the proposed project, or the ability of the City of Morgan Hill to deliver such project; and

**BE IT FURTHER RESOLVED** by the City Council of the City of Morgan Hill that a copy of this resolution will be transmitted to the MTC in conjunction with the filing of the application; and

**BE IT FURTHER RESOLVED** by the City Council of the City of Morgan Hill that the MTC is requested to support the application for the project described in the resolution and to program the project, if approved, in MTC's TIP.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Special Meeting held on the 22<sup>nd</sup> Day of June, 2005 by the following vote.

**AYES: COUNCIL MEMBERS:**  
**NOES: COUNCIL MEMBERS:**  
**ABSTAIN: COUNCIL MEMBERS:**  
**ABSENT: COUNCIL MEMBERS:**

**🦉 CERTIFICATION 🦉**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Special Meeting held on June 22, 2005.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 22, 2005***

### **APPROVAL OF PG&E FEES FOR INDOOR RECREATION CENTER**

#### **RECOMMENDED ACTION(S):**

Approve payment of fees to PG&E for the Indoor Recreation Center in the amount of \$42,307.23

#### **EXECUTIVE SUMMARY:**

As a part of the development of the Indoor Recreation Center, it is necessary to pay PG&E to provide gas & electric service to the project. Staff made application to PG&E this past October. They have now completed their engineering and cost estimating. Upon payment of fees, PG&E is expected to begin construction within the next couple of months to keep the project on schedule. The fee breakdown is as follows:

Electric Service	\$ 19,042.65
Gas Service	\$ 22,008.58
Trench Costs	\$ 1,256.00
TOTAL	\$ 42,307.23

Since the City has already paid a \$3,000 deposit, the total amount due is \$39,307.23.

**FISCAL IMPACT:** Sufficient funds exist in the project budget, (CIP project #229001). No additional funding is required.

**Agenda Item # 4**

**Prepared By:**

**Project Manager**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: JUNE 22, 2005***

**Agenda Item # 5**

**Prepared By:**

\_\_\_\_\_  
**Senior Engineer**

**Approved By:**

\_\_\_\_\_  
**Public Works Director**

**Submitted By:**

### **APPROVE FINAL MAP FOR CAPRIANO PHASE VII (TRACT 9723)**

#### **RECOMMENDED ACTION(S):**

- 1) Approve the final map
- 2) Authorize the recordation of the map following recordation of the Development Improvement Agreement

**EXECUTIVE SUMMARY:** Tract 9723 is a 24 lot subdivision located on the south side of Tilton Avenue between Hale Avenue and Monterey Road (see attached diagram). The developer has completed all the conditions specified by the Planning Commission in the approval of the Tentative Map on April 26, 2005.

The developer has furnished the City with the necessary documents to complete the processing of the Final Map and has made provision with a Title Company for the recordation of the Final Map.

**FISCAL IMPACT:** Development review for this project is from development processing fees.



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 22, 2005***

### **DONATION FROM HOSPIRA , INC.**

#### **RECOMMENDED ACTION(S):**

Accept the donation.

Appropriate the donated funds in the 2004/2005 Budget

**EXECUTIVE SUMMARY:** Hospira, Inc., one of the City's largest employers, has a long history of civic involvement and community care. The corporation brought over 60 volunteers to beautify the Civic Center property during last month's City Beautification Day. In addition to the large number of participants, their effort stood out for the large number of family members participating and the special t-shirts they created for the day.

In addition to their invaluable labor contribution, Hospira would also like to make a cash donation to the City's beautification efforts. Their \$2,500 donation will help offset the parks maintenance costs resulting from this event.

Staff recommends that the Council accept the donation and appropriate the funds in the 2004/2005 Budget.

**FISCAL IMPACT:** This donation will add \$2,500 to 010.5440.42248 which will be used for the purchase of parks maintenance supplies. Attached is a budget scorecard recording the impact of this change.

**Agenda Item #6**

**Prepared By:**

**Program Administrator**

**Approved By:**

**Public Works Director**

**Submitted By:**

**City Manager**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 22, 2005***

**Agenda Item # 7**

**Prepared By:**

**BAHS Analyst**

**Approved By:**

**BAHS Director**

**Submitted By:**

**City Manager**

**TITLE: Sister City Committee Request for Reimbursements**

### **RECOMMENDED ACTIONS:**

Approve this one-time request from the Sister City Committee for \$2,268.39 in expenditures that are not directly related to formal City actions.

### **EXECUTIVE SUMMARY:**

The Morgan Hill Sister City Committee ("Committee") is seeking reimbursement of \$2,268.39 in expenditures relating to Morgan Hill's Mexican Sister City, San Martin de Hidalgo.

During the first week of July, 2004, Morgan Hill hosted a delegation lead by the new Mayor of San Martin de Hidalgo. This was the first time that City officials were not involved with any of the events planned for a visiting delegation, and the Committee was stretching its resources to provide all of the promised entertainment. The highlight of that July visit was the "official" welcoming dinner. Peter Anderson paid for that dinner, with assurances that the Committee would repay him.

As a result of Morgan Hill's delegation visit to San Martin de Hidalgo in 2003, the Committee offered to seek a van for residents of the elder ladies' home since they have no transportation available to them. Jesus Ambriz found a van that had been damaged. He arranged for volunteer labor and the donation of parts to fix the van. In spite of Jesus's efforts, costs to repair and deliver the van exceeded \$2,000. The costs were borne by Jesus and Peter.

An "Overview of Current Financial Situation – 4/24/05", including a section of unpaid bills, is attached. There is also a letter from the Committee President, John Fogiatto, which details the expenditures. It also lists future events planned by the Committee. His letter erroneously reflects Peter's expenditures on the van - which were repaid - instead of the dinner expense. It also contains a request for funds to cover costs to incorporate the Committee.

The Business Assistance and Housing Services (BAHS) Department maintains a budget line item for official expenses related to the City's involvement with the Sister Cities Program. These costs normally include things like dues to Sister City International, mementos from the City to members of visiting delegations, and meals or events hosted by or attended by City Officials. They could be used to pay monies owed Peter and Jesus. The City Council approved funds for incorporation when the Committee was first formed. It could continue to authorize reimbursement for incorporation costs using funds from next year's Sister City budget line item.

In May, two Committee activities yielded over \$2000. More fund raisers are planned. But the Committee is seeking City assistance rather than place itself back into a position of not having funds available for anticipated delegation visits in conjunction with the City's Centennial celebrations.

**FISCAL IMPACT:** Funds for the incurred expenses are available in the BAHS FY04-05 Economic Development (317) budget. For FY05-06, the BAHS budget allocates \$3,000 for Sister City expenses.



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 22, 2005***

**Agenda Item # 8**

**Prepared By:**

**Asst. to the City Mgr.**

**In Coordination With:**

**Rec. & Comm. Svc. Mgr.**

**Submitted By:**

**City Manager**

### **AQUATICS CENTER OPERATIONS PLAN**

#### **RECOMMENDED ACTION:**

**Direct staff** to provide an Aquatics Center Operations Plan at the August 3, 2005 City Council meeting.

#### **EXECUTIVE SUMMARY:**

In developing the proposed FY 2005/06 budget, staff committed to developing an operations plan for the Aquatics Center by July 15, 2005. The operations plan is to determine the operating hours and programming for the Center in the off season (September 2005 through May 2006), documenting how the Center will achieve the established 90% cost recovery goals for the fiscal year.

Following the resignation of the Recreation Supervisor in Aquatics, an internal "Aquatics Evaluation Team" met from May 31 through June 10, 2005 to review Aquatics Center operations and make recommendations on management of the Center. As part of their work, the Team recommended the hiring of Richard Busse as Interim Recreation Supervisor in Aquatics. Mr. Busse will provide daily management of the Aquatics Center. He has over 30 years of recreation management experience, which we believe will be very useful in finding ways to improve the Center's operating efficiencies.

The Team further recommended that a cross-departmental team be charged with developing the Aquatics Center's operations plan. In order to do so, staff will need to develop significantly improved budget and cost recovery analysis systems. We do not believe this work can be accomplished by July 15, and request Council's authorization to provide the operations plan at the August 3, 2005 Council meeting. This two-week delay will still give the Council sufficient time to evaluate the proposed operations plan and make decisions on Aquatics Center operations for the rest of the fiscal year.

#### **FISCAL IMPACT:**

No budget adjustment required.



**REDEVELOPMENT AGENCY**  
**CITY COUNCIL STAFF REPORT**  
**MEETING DATE: JUNE 22, 2005**

**TITLE: ADOPTION OF FISCAL YEAR 2005/06 BUDGET**

**RECOMMENDED ACTIONS:**

- 1) Approve Resolution of the City of Morgan Hill Adopting the Fiscal Year 2005/06 Annual City Budget and Adopting Appropriations Limit for Fiscal Year 2005/06**
- 2) Approve Resolution of the Redevelopment Agency of the City of Morgan Hill Adopting the Fiscal Year 2005/06 Annual Agency Budget**
- 3) Approve the Capital Improvement Plan**
- 4) Approve the attached 2005/06 South County Regional Wastewater Authority budget**

**EXECUTIVE SUMMARY:**

Following the May 18, 2005 City Council Meeting at which the Proposed Fiscal Year 2005/06 Budget was introduced, the City Council and Agency Board held a Budget Workshop on May 20 and a Public Hearing on June 15. At the Budget Workshop, staff recommended revisions to capital projects 117001 – West Llagas Creek Trail, and 127005 – Trails Master Plan, increasing proposed FY 2005/06 expenditures by \$355,000 and revenues (grants) by \$279,000.

At the Public Hearing, the City Council approved the addition of \$50,000 to the General Fund Budget for the cost of a consultant to manage the community conversation process.

City staff is also presenting to the City Council revisions to the South County Regional Water Authority (SCRWA) budget consistent with the attached final budget approved by the SCRWA Board on June 14. The net effect of the final budgetary changes to Morgan Hill is to move approximately \$1,138,000 in contributions for capital costs from projected 2004/05 costs to proposed 2005/06 costs, for a total 2005/06 cost of \$2,046,726. The changes reflected in the final SCRWA budget also increase budgeted 2005/06 Morgan Hill contributions for SCRWA operations costs by approximately \$66,000, most of which is attributable to re-budgeting 2004/05 projected, but unexpended, costs as 2005/06 expenditures, for a total Morgan Hill operations cost of \$2,689,703.

Approval of the attached two Resolutions will adopt the City and Redevelopment Agency budgets, including the above revisions, and the Fiscal Year 2005/06 Appropriations Limit.

As requested by the State Department of Housing & Community Development, the Redevelopment Agency has included, within the RDA resolution, a finding that planning and administrative costs attributable to the Housing 20% Set-Aside fund are necessary and proportionate to amounts proposed for actual housing activities during the fiscal year.

**FISCAL IMPACT:**

Sufficient resources are available to finance the proposed budget. For Fiscal Year 2005/06, the General Fund budget, as amended, reflects a \$1,299,940 excess of appropriations over estimated revenues, which is to be financed by undesignated fund balance. Exhibit A provides a fund balance summary of all operating and capital budgets.

**Agenda Item # 9**

**Prepared By:**

**Budget Manager**

**Approved By:**

**Finance Director**

**Submitted By:**

**City Manager**



**FY 2004/05 PROJECTED  
FUND BALANCE**

**Exhibit A**

6/16/05 3:26 AM

		07/01/04					06/30/05
		Working	Projected	Projected	Projected	Projected	Projected
Fund	Description	Fund Bal	Revenues	Trans In	Trans Out	Expenditure	Fund Bal
010	General Fund	7,151,730	17,150,960	393,100	352,827	18,557,062	5,244,801
010	General Fund Reserve	3,746,640					4,287,740
202	Street Fund	1,454,752	1,084,413	700,000	-	1,738,428	1,500,737
204/205	Supplemental Law Enforcement	321,965	107,148	-	175,000	520	253,593
206	Community Development Fund	1,482,405	3,461,150	-	-	3,056,137	1,887,418
207	General Plan Update Fund	231,849	106,137	51,100	-	76,801	312,285
210	Community Rec Centers Startup Fu	99,678	2,643	200,000	-	-	302,321
215	CDBG Fund	-	215,440	-	15,000	200,440	-
216	CDBG Revolving Loan Fund	142,626	19,854	-	-	101,567	60,913
225	Asset Seizure Fund	38,956	17,171	-	-	45,794	10,333
229	Lighting & Landscape Fund	(1,173)	137,517	-	-	141,974	(5,630)
232	Environmental Programs Fund	675,334	452,327	-	148,100	271,311	708,250
234	Mobile Home Park Rent Fund	168,580	9,016	-	150,000	11,384	16,212
235	Senior Housing Trust Fund	252,691	5,695	-	-	20,180	238,206
236	Housing Mitigation Fund	1,141,855	270,000	-	-	15,000	1,396,855
240	Employee Assistance Fund	80,549	33,793	-	-	40,000	74,342
247	Environment Remediation Fund	570,000	12,883	-	-	173,208	409,675
301	Park Impact Fund	3,539,104	942,375	13,000	750,000	95,514	3,648,965
302	Park Maintenance Fund	3,047,206	609,885	-	125,000	25,000	3,507,091
303	Drainage Impact Fund	3,027,986	664,149	-	-	1,536	3,690,599
304	Drainage-Non AB1600 Fund	3,249,120	268,107	-	-	190,866	3,326,361
306	Open Space Fund	699,078	344,620	-	-	-	1,043,698
309	Traffic Impact Fund	3,119,744	877,209	-	29,200	576,404	3,391,349
311	Police Impact Fund	83,370	137,699	-	59,206	5,937	155,926
313	Fire Impact Fund	2,333,569	173,721	-	-	1,380	2,505,910
317	RDA Fund	4,472,858	15,968,008	778,976	11,000	12,716,897	8,491,945
327/328	Housing	6,872,096	4,620,340	160,000	-	5,616,062	6,036,374
340	MH Bus Ranch AD CIP Fund	49,376	720	-	-	-	50,096
342	MH Bus Ranch II AD CIP Fund	55,451	1,119	-	-	-	56,570
346	Public Facilities (Non AB1600) Fund	748,601	7,082,911	-	-	6,882,067	949,445
347	Public Facilities Impact Fund	314,545	106,519	-	-	1,365	419,699
348	Library Impact Fund	490,953	85,680	-	-	202	576,431
350	Undergrounding Fund	1,140,023	178,660	-	-	296,037	1,022,646
360	Community Rec. Centers Impact Fu	18,906	81,001	-	-	-	99,907
441	Police Facility Bond Debt Service	-	10,000	112,132	-	122,132	-
545	Cochrane Business Park AD Fund	375,254	189,040	-	-	192,842	371,452
551	Joleen Way AD Fund	23,806	57,296	-	-	39,482	41,620
640	Sewer Operations Fund	4,370,397	5,596,160	-	421,567	6,148,030	3,396,960
641	Sewer Impact Fund	5,671,537	1,894,123	-	-	1,023,686	6,541,974
642	Sewer Rate Stabilization Fund	3,975,411	89,784	-	-	2,117	4,063,078
643	Sewer System Replacement Fund	2,748,755	54,420	-	-	1,570,796	1,232,379
650	Water Operations Fund	3,335,334	6,856,581	201,567	433,000	7,237,777	2,722,705
651	Water Impact Fund	(365,691)	5,782,096	-	-	1,622,214	3,794,191
652	Water Rate Stabilization Fund	26,627	596	-	-	493	26,730
653	Water System Replacement Fund	3,355,609	2,408,651	-	-	2,100,759	3,663,501
730	Information Systems Fund	472,435	230,970	49,025	-	537,076	215,354
740	Building Maintenance Fund	750,163	1,573,205	-	-	1,259,168	1,064,200
745	CIP Administration Fund	94,836	1,251,837	-	-	1,251,837	94,836
760	Unemployment Insurance Fund	47,278	34,862	-	-	55,000	27,140
770	Worker's Comp Fund	5,634	810,221	-	-	686,732	129,123
790	Equipment Replacement Fund	2,832,227	371,910	11,000	-	205,513	3,009,624
795	General Liab. Insurance Fund	810,702	607,834	-	-	482,213	936,323
841	MH Business Ranch I AD Fund	381,939	4,235	-	386,102	72	-
842	MH Business Ranch II AD Fund	32,149	841	-	32,959	31	-
843	MH Business Ranch 1998 AD Fund	1,296,650	1,127,892	-	-	868,693	1,555,849
844	MH Ranch Reassessment 2004 Fu	186,838	6,408	419,061	-	181,092	431,215
845	Madrone BP (Tax Exempt) Fund	1,298,723	814,438	-	-	508,729	1,604,432
846	Madrone BP (Taxable) Fund	251,768	170,185	-	-	175,470	246,483
848	Tennant Ave Business Park AD Fur	430,284	37,239	-	-	-	467,523
881	Police Donation Trust Fund	21,414	1,681	-	-	-	23,095
<b>Total</b>		<b>83,250,502</b>	<b>85,211,375</b>	<b>3,088,961</b>	<b>3,088,961</b>	<b>77,131,027</b>	<b>91,330,850</b>

**FY 2005/06 PROJECTED  
FUND BALANCE**

**Exhibit A**

6/16/05 3:26 AM

Fund	Description	07/01/05	Projected Revenues	Projected Trans In	Proposed Trans Out	Proposed Expenditure	06/30/06
		Projected Fund Bal					Proposed Fund Bal
010	General Fund	5,244,801	18,280,436	451,865	228,978	19,803,263	3,662,492
010	General Fund Reserve	4,287,740					4,570,109
202	Street Fund	1,500,737	4,091,600	700,000	-	5,368,817	923,520
204/205	Supplemental Law Enforcement	253,593	108,885	-	175,000	519	186,959
206	Community Development Fund	1,887,418	3,023,420	-	-	3,493,561	1,417,277
207	General Plan Update Fund	312,285	105,286	40,000	-	154,553	303,018
210	Community Rec Centers Startup Fu	302,321	3,500	-	85,665	-	220,156
215	CDBG Fund	-	496,714	-	15,450	481,264	-
216	CDBG Revolving Loan Fund	60,913	1,460	-	-	10,000	52,373
225	Asset Seizure Fund	10,333	1,664	-	-	-	11,997
229	Lighting & Landscape Fund	(5,630)	138,000	-	-	118,248	14,122
232	Environmental Programs Fund	708,250	533,050	-	100,000	302,505	838,795
234	Mobile Home Park Rent Fund	16,212	9,873	-	-	4,832	21,253
235	Senior Housing Trust Fund	238,206	6,890	-	-	80,700	164,396
236	Housing Mitigation Fund	1,396,855	140,000	-	-	1,315,000	221,855
240	Employee Assistance Fund	74,342	42,768	-	-	57,500	59,610
247	Environment Remediation Fund	409,675	8,500	-	-	152,500	265,675
301	Park Impact Fund	3,648,965	814,768	-	-	2,388,940	2,074,793
302	Park Maintenance Fund	3,507,091	415,557	-	135,000	50,000	3,737,648
303	Drainage Impact Fund	3,690,599	1,276,297	-	-	1,901,534	3,065,362
304	Drainage-Non AB1600 Fund	3,326,361	356,795	-	-	1,141,667	2,541,489
306	Open Space Fund	1,043,698	170,972	-	-	-	1,214,670
309	Traffic Impact Fund	3,391,349	1,128,092	-	-	1,137,000	3,382,441
311	Police Impact Fund	155,926	105,743	-	244,958	5,929	10,782
313	Fire Impact Fund	2,505,910	195,345	-	-	526,378	2,174,877
317	RDA Fund	8,491,945	19,967,408	-	-	28,279,211	180,142
327/328	Housing	6,036,374	4,402,175	10,450	-	10,191,842	257,157
340	MH Bus Ranch AD CIP Fund	50,096	1,481	-	-	-	51,577
342	MH Bus Ranch II AD CIP Fund	56,570	1,664	-	-	-	58,234
346	Public Facilities (Non AB1600) Fund	949,445	228,008	-	-	90,000	1,087,453
347	Public Facilities Impact Fund	419,699	77,720	-	-	1,363	496,056
348	Library Impact Fund	576,431	123,155	-	-	202	699,384
350	Undergrounding Fund	1,022,646	189,883	-	-	1,200,389	12,140
360	Community Rec. Centers Impact Fu	99,907	80,719	-	-	180,000	626
441	Police Facility Bond Debt Service	-	19,827	463,936	-	483,763	-
545	Cochrane Business Park AD Fund	371,452	206,304	-	-	194,625	383,131
551	Joleen Way AD Fund	41,620	37,016	-	-	36,487	42,149
640	Sewer Operations Fund	3,396,960	5,934,549	-	481,688	6,304,819	2,545,002
641	Sewer Impact Fund	6,541,974	1,905,048	-	-	2,796,988	5,650,034
642	Sewer Rate Stabilization Fund	4,063,078	119,167	-	-	2,114	4,180,131
643	Sewer System Replacement Fund	1,232,379	294,560	-	-	352,535	1,174,404
650	Water Operations Fund	2,722,705	7,421,114	230,488	1,130,000	7,368,852	1,875,455
651	Water Impact Fund	3,794,191	569,076	-	-	1,786,014	2,577,253
652	Water Rate Stabilization Fund	26,730	2,000	700,000	-	492	728,238
653	Water System Replacement Fund	3,663,501	297,217	-	-	886,260	3,074,458
730	Information Systems Fund	215,354	254,202	-	-	254,203	215,353
740	Building Maintenance Fund	1,064,200	1,666,477	-	-	1,366,261	1,364,416
745	CIP Administration Fund	94,836	1,415,000	-	-	1,379,348	130,488
760	Unemployment Insurance Fund	27,140	58,305	-	-	55,000	30,445
770	Worker's Comp Fund	129,123	920,509	-	-	770,075	279,557
790	Equipment Replacement Fund	3,009,624	538,545	-	-	469,827	3,078,342
795	General Liab. Insurance Fund	936,323	506,470	-	-	480,800	961,993
841	MH Business Ranch I AD Fund	-	-	-	-	-	-
842	MH Business Ranch II AD Fund	-	-	-	-	-	-
843	MH Business Ranch 1998 AD Fund	1,555,849	898,976	-	-	867,265	1,587,560
844	MH Ranch Reassessment 2004 Fu	431,215	612,433	-	-	595,583	448,065
845	Madrone BP (Tax Exempt) Fund	1,604,432	462,228	-	-	443,763	1,622,897
846	Madrone BP (Taxable) Fund	246,483	91,543	-	-	86,939	251,087
848	Tennant Ave Business Park AD Fur	467,523	12,909	-	-	6,727	473,705
881	Police Donation Trust Fund	23,095	642	-	-	-	23,737
<b>Total</b>		<b>91,330,850</b>	<b>80,771,945</b>	<b>2,596,739</b>	<b>2,596,739</b>	<b>105,426,457</b>	<b>66,676,338</b>

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF CITY OF  
MORGAN HILL ADOPTING THE FISCAL YEAR 2005/06  
OPERATING AND CAPITAL IMPROVEMENT PROGRAM  
BUDGET AND ADOPTING THE FISCAL YEAR 2005/06  
APPROPRIATIONS LIMIT**

WHEREAS, the City of Morgan Hill Budget for the 2005/06 fiscal year was prepared by the City staff and reviewed by the City Manager;

WHEREAS, the City of Morgan Hill Budget for the 2005/06 fiscal year was presented to the City Council on May 18, 2005, was reviewed at a Public Workshop on May 20, 2005 and was further reviewed at a Public Hearing on June 15, 2005;

WHEREAS, in accordance with the State Revenue and Taxation Code Section 7910, the City of Morgan Hill's 2005/06 appropriations limit is \$59,265,902, as shown on Schedule A. The appropriations for the 2005/06 fiscal year, as shown on Schedule B, which are subject to the appropriations limit as set forth in Article XIII B of the California Constitution, do not exceed the limit as stated above. The annual adjustment factors that were selected to calculate the 2005/06 limit were: 1) California Per Capita Personal Income adjustment of 1.0526%; and 2) City Population Growth of 1.0290%; and

WHEREAS, modifications and amendments to the adopted 2005/06 City of Morgan Hill Budget can only be made in accordance with the "Budget Administrative Policies" in the Proposed Budget;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morgan Hill finds that the Capital Improvement Program is in conformity with the General Plan; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Morgan Hill does hereby approve and adopt the City of Morgan Hill 2005/06 Budget, Appropriations Limit and Appropriations Limit Adjustment Factors for Fiscal Year 2005/06.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Special Meeting held on the 22<sup>nd</sup> Day of June, 2005 by the following vote.

<b>AYES:</b>	<b>COUNCIL MEMBERS:</b>
<b>NOES:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSTAIN:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSENT:</b>	<b>COUNCIL MEMBERS:</b>

**🏛️ CERTIFICATION 🏛️**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA**, do hereby certify that the foregoing is a true and correct copy of Resolution No. \_\_\_\_\_, adopted by the City Council at a Special Meeting held on June 22, 2005.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

**SCHEDULE A**

**CITY OF MORGAN HILL  
SPENDING LIMIT CALCULATION  
FISCAL YEAR 2005/06**

**APPROPRIATIONS SUBJECT TO LIMIT**

Fiscal Year 2005/06 General Fund Revenues	\$18,732,301
Less Non Proceeds of Tax	5,691,410
Total appropriations subject to limits	<u>\$13,040,891</u>

**APPROPRIATIONS LIMIT**

Fiscal year 2004/05 appropriations limit	\$54,717,489
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Plus Change Factor:

A. Cost of living adjustment - CPI	1.0526
B. Population Adjustment	1.0290

Total Change Factor	1.08312540
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Increase in appropriations limit	<u>4,548,413</u>
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<b>FISCAL YEAR 2005/06 APPROPRIATIONS LIMIT</b>	<u><u>59,265,902</u></u>
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Remaining appropriations capacity	46,225,011
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Available capacity as a percent of appropriations limit	<u><u>78%</u></u>
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**NOTES**

- a. Cost of Living adjustment is based on percentage change in California per capita income
- b. Population adjustment is based on the greater of annual population change for the City of Morgan Hill or Santa Clara County.

**SCHEDULE B**

**CITY OF MORGAN HILL  
SPENDING LIMIT CALCULATION  
FISCAL YEAR 2005/06**

<b>REVENUE SOURCE</b>	<b>PROCEEDS NON PROCEEDS</b>		<b>TOTALS</b>
	<b>OF TAX</b>	<b>OF TAX</b>	
Property Tax	\$4,581,300		\$4,581,300
Sales Tax	5,724,600		5,724,600
Transient Occupancy Tax	974,560		974,560
Franchise Revenue	1,030,700		1,030,700
Property Transfer Tax	378,575		378,575
Business License / Other Permits	162,380		162,380
Motor Vehicle in Lieu	188,776		188,776
Fines and Penalties		\$63,500	63,500
Use of Money and Property		923,000	923,000
Other Revenue / Other Agencies		361,070	361,070
Police and Fire Fees		575,100	575,100
Current Service Charges General Govt.		3,316,875	3,316,875
Transfers		451,865	451,865
Total	<u>\$13,040,891</u>	<u>\$5,691,410</u>	<u>\$18,732,301</u>
Percentage of Total	<u>70%</u>	<u>30%</u>	<u>100.00%</u>

**RESOLUTION NO. MHRA-\_\_\_**

**A RESOLUTION OF THE REDEVELOPMENT AGENCY OF  
THE CITY OF MORGAN HILL ADOPTING THE 2005/06  
ANNUAL AGENCY BUDGET**

WHEREAS, the Redevelopment Agency of the City of Morgan Hill Budget for the 2005/06 fiscal year was prepared by Redevelopment Agency and City staff and was reviewed by the City Manager/Executive Director;

WHEREAS, the Redevelopment Agency of the City of Morgan Hill Budget for the 2005/06 fiscal year was presented to the Agency Board of Directors on May 18, 2005, was reviewed at a Public Workshop on May 20, 2005, and was further reviewed at a Public Hearing on June 15, 2005;

WHEREAS, modifications and amendments to the adopted 2005/06 Redevelopment Agency of the City of Morgan Hill Budget can only be made in accordance with the "Budget Administrative Policies" described in the Proposed Budget;

NOW, THEREFORE, the Redevelopment Agency Board finds that planning and administrative costs attributable to the Housing 20% Set-Aside fund are necessary and proportionate to amounts proposed for actual housing activities during the fiscal year; and

NOW, THEREFORE, BE IT RESOLVED that the Agency Board of the Redevelopment Agency of the City of Morgan Hill does hereby approve and adopt the Redevelopment Agency of the City of Morgan Hill 2005/06 Budget.

**PASSED AND ADOPTED** by the Morgan Hill Redevelopment Agency at a Regular Meeting held on the 22<sup>nd</sup> Day of June, 2005 by the following vote:

AYES:            AGENCY MEMBERS:  
NOES:            AGENCY MEMBERS:  
ABSTAIN:        AGENCY MEMBERS:  
ABSENT:         AGENCY MEMBERS:

**∞ CERTIFICATION ∞**

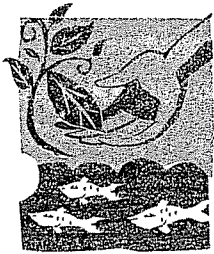
**I, IRMA TORREZ, AGENCY SECRETARY**, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHRA- adopted by the Morgan Hill Redevelopment Agency at a Regular Meeting held on June 22, 2005.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

DATE: \_\_\_\_\_

SECRETARY

\_\_\_\_\_  
IRMA TORREZ, AGENCY



**SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY**

7351 ROSANNA ST.

GILROY, CA 95020

(408) 848-0400

May 10, 2005

To: South County Regional Wastewater Authority Board of Directors

I respectfully submit the 2005-2010 South County Regional Wastewater Authority Financial Plan and 2005 Capital Improvement Budget for your consideration. These documents are based upon best estimates of available resources and necessary expenditures.

If there are two terms that describe the workings of the SCRWA they are, focused and on task. "Focused" describes the hard and diligent work that the SCRWA Board of Directors and staff have had to do over the last two years to construct a comprehensive master plan that addresses all the long term needs of the Authority. "On task" in that this year's Financial Plan and CIB portray the scheduled implementation of the SCRWA Master Plan's recommendations.

The SCRWA Master Plan is based on four infrastructure/facility needs: (1) treatment capacity, (2) effluent disposal capacity, (3) recycled water capacity, and (4) solids handling. The 2005 Capital Improvement portion of the 2005-2010 Financial Plan recommends the construction of needed improvements and additional capacity in all four areas. Also, the operations portion of the Financial Plan assures monies for the smooth and efficient operations of SCRWA facilities.

**Financial Plan Format**

This year's five year Financial Plan uses the same fund format as in the past. SCRWA has three funds: (1) 838-Debt Service, which deals with the combined Gilroy and Morgan Hill debt for past and future STP Improvements, (2) 839-Construction, which deals with the long term expansion and improvements to the sewer treatment plant and reclamation system, and (3) 840-Operations, which accounts for the administration, operations, and maintenance of the sewer plant and the pretreatment program.

**Overhead/Cost Allocations**

Each fiscal year, staff analyzes and updates the Board approved Ralph Anderson and Associates Administrative Overhead Methodology Report. In 2005-2006 it is projected that the general overhead will be \$295,095. The projected staffing is 1.80 full time positions which is a little lower than in 2004-2005. Unfortunately, the increased cost of benefits, retirements, etc. has had a major impact on the costs of personnel services. Since this problem is assailing all public jurisdictions in California in general, and both our Cities specifically, this should come as no great shock to the SCRWA Board. The overhead rate continues to be under 5% of the total cost of operations.



Per Board policy and direction, this fiscal blueprint appropriates \$250,000 for the continued building of a solid reserve fund. The beauty of this reserve is two-fold: (1) it gives the SCRWA a modest amount of fiscal flexibility in case of an emergency, and (2) as the reserve increases, the interest earned on the idle funds is used by the SCRWA to reduce each Cities' annual contribution.

As has been used in the last few years, the operations cost distribution is recommended at 57% Gilroy, 43% Morgan Hill for the fiscal years of 2005-2006 and beyond. Finally, this Plan continues to utilize the agreed upon 58.1%-41.9% split for long-term capital construction costs (Fund 839).

#### Debt Service Fund (838)

The SCRWA continues to pay both cities' debt service for the construction of the Phase I sewer plant. The next scheduled plant improvement that will need to be bonded for the City of Gilroy is the 12.75 mgd expansion project scheduled to begin in 2009-2010. If the City of Morgan Hill has to bond for its share of the cost of any of the scheduled SCRWA improvements, this portion of the Financial Plan will have to be revised to reflect Morgan Hill's plans.

#### Construction Fund Improvements (839)

Over the next 20 years, the following work (\$76.9 million) is scheduled in the treatment, disposal, reclamation and solids handling areas:

- Expand current plant treatment capacity to 12.75 mgd (09-12).
- Implement a river discharge disposal program to increase total disposal capacity to 19.8 mgd (07-09).
- Upgrade and expand the reclamation plant to 12 mgd (currently under construction).
- Upgrade and expand the solid handling facilities for increased capacity (09-11).

#### Operations and Maintenance (840)

OMI's annual operations contract and power are the two largest cost elements of the operations and maintenance portions of this fund. As has been their methodology in the past, OMI's projected expenses portray a stable approach to the operations of the plant. OMI has a detailed report (see tab "OMI REPORT") that explains their proposed budget.

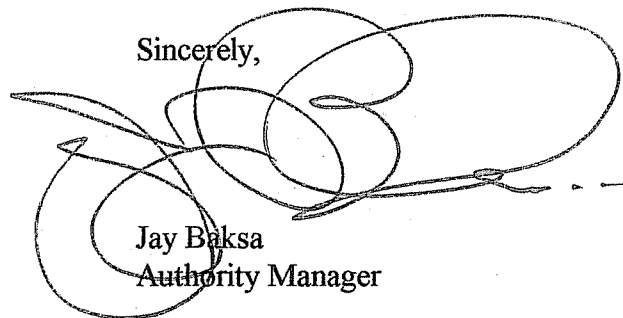
Conclusion

The SCRWA is in a good place. You have planned wisely, implemented what had to be done, and have an excellent operations staff. I know it sounds self-serving, but the SCRWA is a model of how an organization should be run in general, and how a sewer treatment facility should be governed and managed specifically. This year's Financial Plan continues to move the Authority towards the full implementation of its Master Plan by ensuring that all its infrastructure needs are met well into the future. Also, it ensures that the O and M appropriations are adequate to maximize the efficient operations of the plant.

This budget is only as good as the people managing it. The surveillance that our Department and Division Heads use on their portion of the budget is commendable and vital to the operation of SCRWA. In 2005-2006, this strict control will again be one of our strong management points.

Preparation of this Financial Plan and CIB would have been impossible without the hard work and cooperation on the part of every one of my Department Heads, Division Heads, and clerical staff. I would like to give very special thanks to Susan Johnson, Karen Pogue, Pat Bentson, and Cindy Murphy for their creativity, enthusiasm and hard work in putting this document together.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Jay Baksa  
Authority Manager

FUND	S.C.R.W.A. - DEBT SERVICE				NUMBER	838
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Bal. Forward	0	0	0	0	0	0
Revenue	4,440,656	4,401,264	4,399,512	4,400,169	4,398,151	4,390,201
Expenditure	4,440,656	4,401,264	4,399,512	4,400,169	4,398,151	4,390,201
						0

FUND	S.C.R.W.A.-CONSTRUCTION				NUMBER	839
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Bal. Forward	0	0	0	0	0	0
Revenue	1,889,122	8,052,788	1,537,477	6,669,996	8,453,871	9,673,127
Expenditure	1,889,122	8,052,788	1,537,477	6,669,996	8,453,871	9,673,127
						0

FUND	SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY				NUMBER	840
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
BOY Avail.Resources	1,993,633	2,243,633	2,493,633	2,743,633	2,993,633	3,243,633
BOY Deprec.Reserve	1,993,633	2,243,633	2,493,633	2,743,633	2,993,633	3,243,633
BOY Net Avail. Res.	0	0	0	0	0	0
Revenue	6,330,116	6,534,918	6,699,842	7,082,076	7,613,485	8,246,123
Expend. Excl. Dep.	6,080,116	6,284,918	6,449,842	6,832,076	7,363,485	7,996,123
EOY Avail.Resources	2,243,633	2,493,633	2,743,633	2,993,633	3,243,633	3,493,633
EOY Deprec.Reserve*	2,243,633	2,493,633	2,743,633	2,993,633	3,243,633	3,493,633
Depreciation Credit	0	0	0	0	0	0
EOY Net Deprec.Res.	2,243,633	2,493,633	2,743,633	2,993,633	3,243,633	3,493,633
EOY Net Avail. Res.	0	0	0	0	0	0

\*\$250,000 yearly depreciation is added to the previous net year's reserve

#### SCRWA

800 Revenue Totals	12,659,894	18,988,970	12,636,831	18,152,241	20,465,507	22,309,451
800 Expense Totals	12,659,894	18,988,970	12,636,831	18,152,241	20,465,507	22,309,451

## Morgan Hill Share of SCRWA

Fund #	Fund Name	Budgeted 2004-05	Estimate 2004-05	Budget 2005-06	2006-07	2007-08	2008-09	2009-10
838	Debt Service	1,712,873	1,712,873	1,713,006	1,712,739	1,716,981	1,715,841	1,706,271
839	Construction	2,804,226	554,337	2,046,726	644,203	2,794,728	3,542,172	4,053,040
840	Operations	2,798,363	2,600,219	2,689,703	2,758,470	2,921,756	3,149,187	3,420,146
		7,315,462	4,867,429	6,449,435	5,115,412	7,433,465	8,407,200	9,179,457

# **S.C.R.W.A. CAPITAL NARRATIVE**

## **GENERAL ASSUMPTIONS**

### **EFFLUENT DISPOSAL CAPACITY ANALYSIS:**

An Effluent Disposal Capacity Analysis study for the wastewater treatment plant is performed annually to ensure that treatment and disposal facilities are available as demand develops. The analysis compares projected future wastewater flows with available effluent treatment and disposal capacity. Projected residential and commercial/industrial growth in this study is based on General Plans for both Gilroy and Morgan Hill, and the current demand for residential and commercial/industrial building permits. The study also illustrates proposed treatment and disposal capacity improvements and flow projections through buildout. If the treatment and disposal capacity improvements take place as planned, there will be adequate treatment capacity for the growth anticipated by SCRWA.

### **EQUIPMENT/FURNITURE:**

All types of equipment that are included in this budget are durable items which cost \$1,000 or more. Items that cost less than \$1,000 or which are consumable or service oriented items are purchased through operation budgets. Process equipment at the treatment plant has a long life provided that preventive maintenance is performed as recommended by the manufacturer and corrective maintenance is performed as needed to replace worn or failed parts. Structural members and major components of such equipment eventually wear out, and when repair is no longer feasible, replacement is necessary. It is assumed, based on discussion with manufacturers' representatives, that the belt presses, bar screens, conveyor, and grit classifier will need replacement starting 15 years after being placed into service. Likewise, mixers, which are long-life equipment, are assumed to need replacing following 20 years of service. Equipment is to be retired that no longer serves a useful purpose at the plant or is worn beyond its useful life.

### **VEHICLES:**

Vehicle replacement is based on expected useful life, which is derived from experience with similar City vehicles. Light pickup trucks, ½-ton pickups, and utility vehicles are assumed to have a 15-year life, and 1-ton utility vehicles a 20-year life. The useful life of equipment used for pond management is also based on experience. Much of this equipment has a life of 20 years or more, given the seasonal use it receives.

### **COMPUTERS:**

A complete workstation is made up of a CPU, monitor, keyboard, mouse, and inkjet printer. Replacement occurs within 4 years for heavy users. Depending on the amount of use and type of applications utilized, replacement may be extended beyond 4 years.

### **MISCELLANEOUS EQUIPMENT:**

Specialized miscellaneous equipment utilized at the treatment plant such as gas detector sensors, samplers and portable radios are cycled for replacement based on expected useful life or when equipment repair is no longer feasible.

## **IMPROVEMENTS**

### **TREATMENT CAPACITY IMPROVEMENTS:**

#### **12.75 MGD PLANT CAPACITY:**

The plant expansion project in FY 02-03 increased plant capacity to 8.5-mgd and extended the life of the existing treatment works to approximately 2009-2010, at which time additional treatment capacity will be needed. The 12.75 mgd expansion will add another oxidation ditch, final clarifier, and related solids handling capacity to process projected flow increases for over twenty years. The total project cost will be \$38,550,000 spread over 2004-2010.

#### **17 MGD PLANT CAPACITY:**

A plant capacity expansion will be required twelve years after the 12.75-mgd expansion scheduled for completion in 2012. This next expansion would add a fourth oxidation ditch to take the plant to a total capacity of 17-mgd, and is shown to take place during 2023 to 2027, at a cost of \$38,550,000 in current dollars.

### **DISPOSAL CAPACITY IMPROVEMENTS:**

#### **RIVER DISCHARGE PERMIT:**

This provides funding for environmental studies required under CEQA in order to obtain a wet weather discharge permit for disposal of up to 9-mgd of tertiary-treated wastewater into the Pajaro River. Current cost of project in FY 2004-05 through 2011-12 is \$14,128,452. This project has the potential for carryover until such time as the environmental issues are mitigated and the discharge permit is issued.

### **RECYCLED WATER IMPROVEMENTS:**

#### **RECLAMATION PLANT CAPACITY EXPANSION:**

The peak summer demand for recycled water meets the current 3-mgd capacity of the reclamation facilities, and the grower who uses recycled water has indicated a strong interest in using up to 3-mgd more during the growing season. This continued demand, and future projects that will come on line in the next ten years, has necessitated the increase of the reclamation facilities to 9-mgd. This and future reclamation plant capacity will be increased to a level equal to the average dry weather flow. The planned expansion to 9-mgd will cost \$3,848,331 in FY 2004-05 through 2005-06.

#### **RECLAMATION SYSTEM (Paid by SCVWD):**

Reclamation System projects will be funded by the Santa Clara Valley Water District, but budgeting will show them under the SCRWA project umbrella. Cost of the projects are \$3,734,121 spread through FY 2005-06. The projects include replacement of valves and other appurtenances on the existing 12-inch reclaimed water pipeline and needed pipeline repair.

#### **SOLIDS HANDLING SYSTEM**

Improvements to the Solids Handling System will occur through 2011-2012 at which time the capacity will be extended to 10.5 tons per day. Cost of improvements through 2011-2012 total \$4,250,008.

## SCRWA Construction Fund (839) Calculation

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Expenditures</b>						
Total Capital Outlay	1,879,723	8,012,724	1,529,828	6,636,812	8,411,812	9,625,002
OH (.5%)	9,399	40,064	7,649	33,184	42,059	48,125
Total Expenditure	1,889,122	8,052,788	1,537,477	6,669,996	8,453,871	9,673,127
<b>Revenues</b>						
SCVWD Reimb.	566,121	3,168,000	0	0	0	0
Calpine Revenue		0				
Total Reimb.	566,121	3,168,000	0	0	0	0
Morgan Hill (41.9%)	554,337	2,046,726	644,203	2,794,728	3,542,172	4,053,040
Gilroy (58.1%)	768,663	2,838,062	893,274	3,875,268	4,911,699	5,620,087
Cities Revenue	1,323,001	4,884,788	1,537,477	6,669,996	8,453,871	9,673,127
Total Revenue	1,889,122	8,052,788	1,537,477	6,669,996	8,453,871	9,673,127
Transfer fr Sewer Dev. Fund	768,663	2,838,062	893,274	3,875,268	4,911,699	463,712
Bond Proceeds						5,156,375
Total	768,663	2,838,062	893,274	3,875,268	4,911,699	5,620,087

**CITY OF GILROY**

## 2005-2010 FINANCIAL PLAN - REVENUES

Fund No.	Dept No.	Prog No.	Acct No.	Account/Program Title	2003-2004 Actual	2004-2005 Budget	2004-2005 Actual	2004-2005 Estimate	2005-2006 Budget	2006-2007 Budget	2007-2008 Budget	2008-2009 Budget	2009-2010 Budget
838	0400	0000	3715	OTHER INTEREST	245,800	246,660	247,609	246,660	246,660	246,660	246,660	246,660	246,660
<b>TOTAL OTHER INTEREST</b>					<b>245,800</b>	<b>246,660</b>	<b>247,609</b>	<b>246,660</b>	<b>246,660</b>	<b>246,660</b>	<b>246,660</b>	<b>246,660</b>	<b>246,660</b>
<b>CLASS 37 - USE OF MONEY &amp; PROPERTY</b>					<b>245,800</b>	<b>246,660</b>	<b>247,609</b>	<b>246,660</b>	<b>246,660</b>	<b>246,660</b>	<b>246,660</b>	<b>246,660</b>	<b>246,660</b>
838	0400	0000	3840	GILROY REIMBURSEMENT	2,440,424	2,481,123	1,871,054	2,481,123	2,441,598	2,440,113	2,436,528	2,435,650	2,437,270
<b>TOTAL GILROY REIMBURSEMENT</b>					<b>2,440,424</b>	<b>2,481,123</b>	<b>1,871,054</b>	<b>2,481,123</b>	<b>2,441,598</b>	<b>2,440,113</b>	<b>2,436,528</b>	<b>2,435,650</b>	<b>2,437,270</b>
838	0400	0000	3845	CONTRA-GILROY REIMB	(1,080,000)	0	0	0	0	0	0	0	0
<b>TOTAL CONTRA-GILROY REIMB</b>					<b>(1,080,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
838	0400	0000	3850	MORGAN HILL REIMBURSEMENT	1,903,669	1,712,873	1,369,137	1,712,873	1,713,006	1,712,739	1,716,981	1,715,841	1,706,271
<b>TOTAL MORGAN HILL REIMBURSEMENT</b>					<b>1,903,669</b>	<b>1,712,873</b>	<b>1,369,137</b>	<b>1,712,873</b>	<b>1,713,006</b>	<b>1,712,739</b>	<b>1,716,981</b>	<b>1,715,841</b>	<b>1,706,271</b>
838	0400	0000	3855	CONTRA-MORGAN HILL REIMB	(1,115,000)	0	0	0	0	0	0	0	0
<b>TOTAL CONTRA-MORGAN HILL REIMB</b>					<b>(1,115,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
838	0400	0000	3870	AMORTIZED PREMIUM-M.H.	10,444	0	0	0	0	0	0	0	0
<b>TOTAL AMORTIZED PREMIUM-M.H.</b>					<b>10,444</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CLASS 38 - OTHER REVENUES</b>					<b>2,159,537</b>	<b>4,193,996</b>	<b>3,240,191</b>	<b>4,193,996</b>	<b>4,154,604</b>	<b>4,152,852</b>	<b>4,153,509</b>	<b>4,151,491</b>	<b>4,143,541</b>
<b>DEPARTMENT 0400 ADMINISTRATIVE SERVICES-ADMIN</b>					<b>2,405,337</b>	<b>4,440,656</b>	<b>3,487,800</b>	<b>4,440,656</b>	<b>4,401,264</b>	<b>4,399,512</b>	<b>4,400,169</b>	<b>4,398,151</b>	<b>4,390,201</b>
<b>FUND 838 S.C.R.W.A. - DEBT SERVICE</b>					<b>2,405,337</b>	<b>4,440,656</b>	<b>3,487,800</b>	<b>4,440,656</b>	<b>4,401,264</b>	<b>4,399,512</b>	<b>4,400,169</b>	<b>4,398,151</b>	<b>4,390,201</b>



[illegible]

## CONSTRUCTION

## CITY OF GILROY

Run Date: 6/9/05

REC

## 2005-2010 FINANCIAL PLAN - REVENUES

Fund No.	Dept No.	Prog No.	Acct No.	Account/Program Title	2003-2004 Actual	2004-2005 Budget	2004-2005 Actual	2004-2005 Estimate	2005-2006 Budget	2006-2007 Budget	2007-2008 Budget	2008-2009 Budget	2009-2010 Budget
839	2674	0000	3850	MORGAN HILL REIMBURSEMENT	361,189	1,692,124	271,382	554,337	2,046,726	644,203	2,794,728	3,542,172	4,053,040
<b>TOTAL MORGAN HILL REIMBURSEMENT</b>					<b>361,189</b>	<b>1,692,124</b>	<b>271,382</b>	<b>554,337</b>	<b>2,046,726</b>	<b>644,203</b>	<b>2,794,728</b>	<b>3,542,172</b>	<b>4,053,040</b>
839	2674	0000	3858	SCVWD REIMBURSEMENT	380,666	566,121	0	566,121	3,168,000	0	0	0	0
<b>TOTAL SCVWD REIMBURSEMENT</b>					<b>380,666</b>	<b>566,121</b>	<b>0</b>	<b>566,121</b>	<b>3,168,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
839	2674	4852	3859	CALPINE IMPROVEMENTS	37,850	0	0	0	0	0	0	0	0
<b>TOTAL MISC REIMBURSEMENTS</b>					<b>37,850</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CLASS 38 - OTHER REVENUES</b>					<b>779,705</b>	<b>2,258,245</b>	<b>271,382</b>	<b>1,120,458</b>	<b>5,214,726</b>	<b>644,203</b>	<b>2,794,728</b>	<b>3,542,172</b>	<b>4,053,040</b>
839	2674	0435	3910	SEWER DEVELOPMENT	500,837	2,346,358	376,308	768,663	2,838,062	893,274	3,875,268	4,911,699	463,712
<b>TOTAL OP TRANSFERS IN</b>					<b>500,837</b>	<b>2,346,358</b>	<b>376,308</b>	<b>768,663</b>	<b>2,838,062</b>	<b>893,274</b>	<b>3,875,268</b>	<b>4,911,699</b>	<b>463,712</b>
839	2674	0000	3940	BOND PROCEEDS	0	0	0	0	0	0	0	0	5,156,375
<b>TOTAL BOND PROCEEDS</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,156,375</b>
<b>CLASS 39 - OTHER FINANCING SOURCES</b>					<b>500,837</b>	<b>2,346,358</b>	<b>376,308</b>	<b>768,663</b>	<b>2,838,062</b>	<b>893,274</b>	<b>3,875,268</b>	<b>4,911,699</b>	<b>5,620,087</b>
<b>DEPARTMENT 2674 STP IMPROVEMENTS</b>					<b>1,280,542</b>	<b>4,604,603</b>	<b>647,690</b>	<b>1,889,121</b>	<b>8,052,788</b>	<b>1,537,477</b>	<b>6,669,996</b>	<b>8,453,871</b>	<b>9,673,127</b>
<b>FUND 839 S.C.R.W.A. - CONSTRUCTION</b>					<b>1,280,542</b>	<b>4,604,603</b>	<b>647,690</b>	<b>1,889,121</b>	<b>8,052,788</b>	<b>1,537,477</b>	<b>6,669,996</b>	<b>8,453,871</b>	<b>9,673,127</b>

**CITY OF GILROY**

## 2005-2010 FINANCIAL PLAN - EXPENDITURES

Fund No.	Dept No.	Prog No.	Acct No.	Account/Program Title	2003-2004 Actual	2004-2005 Budget	2004-2005 Actual	2004-2005 Estimate	2005-2006 Budget	2006-2007 Budget	2007-2008 Budget	2008-2009 Budget	2009-2010 Budget
839	2674	0000	4320	EQUIPMENT/FURNITURE	0	0	0	0	0	185,000	0	0	0
<b>TOTAL EQUIPMENT/FURNITURE</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>185,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
839	2674	0000	4325	VEHICLES	0	0	0	0	0	0	0	215,000	0
<b>TOTAL VEHICLES</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>215,000</b>	<b>0</b>
839	2674	4822	4340	RIVER DISCHARGE PERMIT	111,801	44,208	44,207	44,208	1,069,422	1,094,828	5,966,812	5,966,812	0
839	2674	4848	4340	RECLAMATION SYS (SCVWD)	328,006	566,121	470,208	33,276	3,700,845	0	0	0	0
839	2674	4852	4340	CALPINE IMPROVEMENTS	11,977	0	0	0	0	0	0	0	0
839	2674	4854	4340	8.5 MGD PLANT CAPACITY	265,050	19,672	19,672	19,671	0	0	0	0	0
839	2674	4856	4340	REC PLANT CAP EXPANSION	440,380	3,000,000	2,813,082	873,772	2,974,559	0	0	0	0
839	2674	4858	4340	WETLANDS/LLAGAS CAP EXPAN	37,374	0	0	0	0	0	0	0	0
839	2674	4861	4340	12.75 MGD PLANT CAPACITY	0	51,693	16,082	8,796	267,898	250,000	550,000	2,000,000	8,875,000
839	2674	4863	4340	SOLIDS HANDLING SYSTEM	0	900,000	690,000	900,000	0	0	120,000	230,000	750,002
<b>TOTAL IMPROVEMENTS</b>					<b>1,194,588</b>	<b>4,581,694</b>	<b>4,053,251</b>	<b>1,879,723</b>	<b>8,012,724</b>	<b>1,344,828</b>	<b>6,636,812</b>	<b>8,196,812</b>	<b>9,625,002</b>
839	2674	0000	4399	CONTRA CAPITAL OUTLAY	(860,976)	0	0	0	0	0	0	0	0
<b>TOTAL CONTRA CAPITAL OUTLAY</b>					<b>(860,976)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CLASS 43 - CAPITAL OUTLAY</b>					<b>333,612</b>	<b>4,581,694</b>	<b>4,053,251</b>	<b>1,879,723</b>	<b>8,012,724</b>	<b>1,529,828</b>	<b>6,636,812</b>	<b>8,411,812</b>	<b>9,625,002</b>
839	2674	0840	4410	SCRWA	5,039,696	0	0	0	0	0	0	0	0
<b>TOTAL OP TRANSFERS OUT</b>					<b>5,039,696</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
839	2674	0100	4455	GENERAL FUND	6,371	22,908	27,025	9,399	40,064	7,649	33,184	42,059	48,125
<b>TOTAL OVERHEAD CHARGES</b>					<b>6,371</b>	<b>22,908</b>	<b>27,025</b>	<b>9,399</b>	<b>40,064</b>	<b>7,649</b>	<b>33,184</b>	<b>42,059</b>	<b>48,125</b>
<b>CLASS 44 - TRANSFERS</b>					<b>5,046,067</b>	<b>22,908</b>	<b>27,025</b>	<b>9,399</b>	<b>40,064</b>	<b>7,649</b>	<b>33,184</b>	<b>42,059</b>	<b>48,125</b>
<b>DEPARTMENT 2674 STP IMPROVEMENTS</b>					<b>5,379,679</b>	<b>4,604,602</b>	<b>4,080,276</b>	<b>1,889,122</b>	<b>8,052,788</b>	<b>1,537,477</b>	<b>6,669,996</b>	<b>8,453,871</b>	<b>9,673,127</b>
<b>FUND 839 S.C.R.W.A. - CONSTRUCTION</b>					<b>5,379,679</b>	<b>4,604,602</b>	<b>4,080,276</b>	<b>1,889,122</b>	<b>8,052,788</b>	<b>1,537,477</b>	<b>6,669,996</b>	<b>8,453,871</b>	<b>9,673,127</b>

# OPERATIONS

## SCRWA (840) Cost Sharing Calculation

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Total Expense</b>	<b>6,330,116</b>	<b>6,534,918</b>	<b>6,699,842</b>	<b>7,082,076</b>	<b>7,613,485</b>	<b>8,246,123</b>
Depreciation	250,000	250,000	250,000	250,000	250,000	250,000
Expense (-) Dep.	6,080,116	6,284,918	6,449,842	6,832,076	7,363,485	7,996,123
<b>Other Rev.</b>						
Charges for Services	141,400	141,000	141,000	141,000	141,000	141,000
Use of Money & Property Rentals	135,300	132,300	137,300	139,800	142,300	144,800
Sale of Assets	0	100	100	100	100	100
Revenue Credit	276,700	273,400	278,400	280,900	283,400	285,900
<b>Net Total Expense</b>	<b>6,053,416</b>	<b>6,261,518</b>	<b>6,421,442</b>	<b>6,801,176</b>	<b>7,330,085</b>	<b>7,960,223</b>
<b>Cost Distribution</b>						
<b>Gilroy O &amp; M</b>	<b>3,307,947</b>	<b>3,426,565</b>	<b>3,517,722</b>	<b>3,734,170</b>	<b>4,035,648</b>	<b>4,394,827</b>
Gilroy Depreciation (58.1%)	145,250	145,250	145,250	145,250	145,250	145,250
<b>Gilroy Total</b>	<b>3,453,197</b>	<b>3,571,815</b>	<b>3,662,972</b>	<b>3,879,420</b>	<b>4,180,898</b>	<b>4,540,077</b>
<b>Morgan Hill O &amp; M</b>	<b>2,495,469</b>	<b>2,584,953</b>	<b>2,653,720</b>	<b>2,817,006</b>	<b>3,044,437</b>	<b>3,315,396</b>
Morgan Hill Depreciation (41.9%)	104,750	104,750	104,750	104,750	104,750	104,750
<b>Morgan Hill Total</b>	<b>2,600,219</b>	<b>2,689,703</b>	<b>2,758,470</b>	<b>2,921,756</b>	<b>3,149,187</b>	<b>3,420,146</b>
<b>Total</b>	<b>6,053,416</b>	<b>6,261,518</b>	<b>6,421,442</b>	<b>6,801,176</b>	<b>7,330,085</b>	<b>7,960,223</b>
<b>Total Revenue</b>	<b>6,330,116</b>	<b>6,534,918</b>	<b>6,699,842</b>	<b>7,082,076</b>	<b>7,613,485</b>	<b>8,246,123</b>
<b>Cost Distribution Percent</b>						
Gilroy	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%
Morgan Hill	43.00%	43.00%	43.00%	43.00%	43.00%	43.00%

## OPERATIONS

## CITY OF GILROY

Run Date: 6/9/05  
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## 2005-2010 FINANCIAL PLAN - REVENUES

Fund No.	Dept No.	Prog No.	Acct No.	Account/Program Title	2003-2004 Actual	2004-2005 Budget	2004-2005 Actual	2004-2005 Estimate	2005-2006 Budget	2006-2007 Budget	2007-2008 Budget	2008-2009 Budget	2009-2010 Budget
840	2666	0000	3610	INSPECTIONS AND ANALYSIS	3,415	700	2,390	2,400	1,000	1,000	1,000	1,000	1,000
<b>TOTAL INSPECTIONS AND ANALYSIS</b>					<b>3,415</b>	<b>700</b>	<b>2,390</b>	<b>2,400</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
840	2666	0000	3620	USER FEES	147,020	139,000	137,882	139,000	140,000	140,000	140,000	140,000	140,000
<b>TOTAL USER FEES</b>					<b>147,020</b>	<b>139,000</b>	<b>137,882</b>	<b>139,000</b>	<b>140,000</b>	<b>140,000</b>	<b>140,000</b>	<b>140,000</b>	<b>140,000</b>
<b>CLASS 36 - CHARGES FOR SERVICES</b>					<b>150,435</b>	<b>139,700</b>	<b>140,272</b>	<b>141,400</b>	<b>141,000</b>	<b>141,000</b>	<b>141,000</b>	<b>141,000</b>	<b>141,000</b>
840	2666	0000	3715	OTHER INTEREST	35,741	40,000	46,315	48,000	45,000	50,000	52,500	55,000	57,500
<b>TOTAL OTHER INTEREST</b>					<b>35,741</b>	<b>40,000</b>	<b>46,315</b>	<b>48,000</b>	<b>45,000</b>	<b>50,000</b>	<b>52,500</b>	<b>55,000</b>	<b>57,500</b>
840	2666	0000	3750	RENTS,LEASES&CONCESSIONS	89,300	87,300	55,480	87,300	87,300	87,300	87,300	87,300	87,300
<b>TOTAL RENTS,LEASES&amp;CONCESSIONS</b>					<b>89,300</b>	<b>87,300</b>	<b>55,480</b>	<b>87,300</b>	<b>87,300</b>	<b>87,300</b>	<b>87,300</b>	<b>87,300</b>	<b>87,300</b>
<b>CLASS 37 - USE OF MONEY &amp; PROPERTY</b>					<b>125,041</b>	<b>127,300</b>	<b>101,795</b>	<b>135,300</b>	<b>132,300</b>	<b>137,300</b>	<b>139,800</b>	<b>142,300</b>	<b>144,800</b>
840	2666	0000	3850	MORGAN HILL REIMBURSEMENT	2,169,592	2,670,039	2,505,907	2,600,219	2,689,703	2,758,470	2,921,756	3,149,187	3,420,146
<b>TOTAL MORGAN HILL REIMBURSEMENT</b>					<b>2,169,592</b>	<b>2,670,039</b>	<b>2,505,907</b>	<b>2,600,219</b>	<b>2,689,703</b>	<b>2,758,470</b>	<b>2,921,756</b>	<b>3,149,187</b>	<b>3,420,146</b>
<b>CLASS 38 - OTHER REVENUES</b>					<b>2,169,592</b>	<b>2,670,039</b>	<b>2,505,907</b>	<b>2,600,219</b>	<b>2,689,703</b>	<b>2,758,470</b>	<b>2,921,756</b>	<b>3,149,187</b>	<b>3,420,146</b>
840	2666	0700	3910	SEWER	2,882,366	3,545,749	3,327,646	3,453,197	3,571,815	3,662,972	3,879,420	4,180,898	4,540,077
840	2666	0839	3910	SCRWA CONSTRUCTION	5,039,696	0	0	0	0	0	0	0	0
<b>TOTAL OP TRANSFERS IN</b>					<b>7,922,062</b>	<b>3,545,749</b>	<b>3,327,646</b>	<b>3,453,197</b>	<b>3,571,815</b>	<b>3,662,972</b>	<b>3,879,420</b>	<b>4,180,898</b>	<b>4,540,077</b>
840	2666	0000	3930	SALE OF ASSETS	0	0	0	0	100	100	100	100	100
<b>TOTAL SALE OF ASSETS</b>					<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>CLASS 39 - OTHER FINANCING SOURCES</b>					<b>7,922,062</b>	<b>3,545,749</b>	<b>3,327,646</b>	<b>3,453,197</b>	<b>3,571,915</b>	<b>3,663,072</b>	<b>3,879,520</b>	<b>4,180,998</b>	<b>4,540,177</b>
<b>DEPARTMENT 2666 STP-OPERATIONS</b>					<b>10,367,130</b>	<b>6,482,788</b>	<b>6,075,620</b>	<b>6,330,116</b>	<b>6,534,918</b>	<b>6,699,842</b>	<b>7,082,076</b>	<b>7,613,485</b>	<b>8,246,123</b>
<b>FUND 840 S.C.R.W.A.</b>					<b>10,367,130</b>	<b>6,482,788</b>	<b>6,075,620</b>	<b>6,330,116</b>	<b>6,534,918</b>	<b>6,699,842</b>	<b>7,082,076</b>	<b>7,613,485</b>	<b>8,246,123</b>



# OPERATIONS CITY OF GILROY

Run Date: 6/9/05  
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## 2005-2010 FINANCIAL PLAN - EXPENDITURES

Fund No.	Dept No.	Prog No.	Acct No.	Account/Program Title	2003-2004 Actual	2004-2005 Budget	2004-2005 Actual	2004-2005 Estimate	2005-2006 Budget	2006-2007 Budget	2007-2008 Budget	2008-2009 Budget	2009-2010 Budget
840	2668	0000	4110	SALARIES	303,850	327,739	300,148	327,739	344,072	354,504	369,603	385,517	399,454
				<b>TOTAL SALARIES</b>	<b>303,850</b>	<b>327,739</b>	<b>300,148</b>	<b>327,739</b>	<b>344,072</b>	<b>354,504</b>	<b>369,603</b>	<b>385,517</b>	<b>399,454</b>
840	2668	0000	4130	OVERTIME	0	500	567	500	500	500	500	500	500
				<b>TOTAL OVERTIME</b>	<b>0</b>	<b>500</b>	<b>567</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
840	2668	0000	4160	COMPENSATED ABSENCES	3,656	0	0	0	0	0	0	0	0
				<b>TOTAL COMPENSATED ABSENCES</b>	<b>3,656</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
840	2668	0000	4171	FRINGE BENEFITS	54,539	76,813	56,091	76,873	93,694	97,292	101,094	105,278	109,243
				<b>TOTAL FRINGE BENEFITS</b>	<b>54,539</b>	<b>76,813</b>	<b>56,091</b>	<b>76,873</b>	<b>93,694</b>	<b>97,292</b>	<b>101,094</b>	<b>105,278</b>	<b>109,243</b>
840	2668	0000	4179	UNIFORM & TOOL ALLOWANCE	249	388	160	388	388	399	411	423	436
				<b>TOTAL UNIFORM &amp; TOOL ALLOWANCE</b>	<b>249</b>	<b>388</b>	<b>160</b>	<b>388</b>	<b>388</b>	<b>399</b>	<b>411</b>	<b>423</b>	<b>436</b>
				<b>CLASS 41 - PERSONNEL EXPENSE</b>	<b>362,294</b>	<b>405,440</b>	<b>356,966</b>	<b>405,500</b>	<b>438,654</b>	<b>452,695</b>	<b>471,608</b>	<b>491,718</b>	<b>509,633</b>
840	2668	0000	4201	UTILITIES	2,843	1,099	785	1,099	1,099	1,132	1,166	1,201	1,237
				<b>TOTAL UTILITIES</b>	<b>2,843</b>	<b>1,099</b>	<b>785</b>	<b>1,099</b>	<b>1,099</b>	<b>1,132</b>	<b>1,166</b>	<b>1,201</b>	<b>1,237</b>
840	2668	0000	4203	ADVERTISING-PUBLICITY	0	2,000	61	2,000	2,000	2,060	2,122	2,186	2,252
				<b>TOTAL ADVERTISING-PUBLICITY</b>	<b>0</b>	<b>2,000</b>	<b>61</b>	<b>2,000</b>	<b>2,000</b>	<b>2,060</b>	<b>2,122</b>	<b>2,186</b>	<b>2,252</b>
840	2668	0000	4205	PROFESSIONAL SUPPORT	6,622	9,750	6,542	9,750	9,750	10,043	10,344	10,654	10,974
				<b>TOTAL PROFESSIONAL SUPPORT</b>	<b>6,622</b>	<b>9,750</b>	<b>6,542</b>	<b>9,750</b>	<b>9,750</b>	<b>10,043</b>	<b>10,344</b>	<b>10,654</b>	<b>10,974</b>
840	2668	0000	4221	OFFICE/COMPUTER SUPPLIES	2,661	6,120	1,592	6,120	6,120	6,304	6,493	6,688	6,889
				<b>TOTAL OFFICE/COMPUTER SUPPLIES</b>	<b>2,661</b>	<b>6,120</b>	<b>1,592</b>	<b>6,120</b>	<b>6,120</b>	<b>6,304</b>	<b>6,493</b>	<b>6,688</b>	<b>6,889</b>
840	2668	0000	4231	REPAIRS & MAINTENANCE	0	1,000	0	1,000	1,000	1,030	1,061	1,093	1,126
				<b>TOTAL REPAIRS &amp; MAINTENANCE</b>	<b>0</b>	<b>1,000</b>	<b>0</b>	<b>1,000</b>	<b>1,000</b>	<b>1,030</b>	<b>1,061</b>	<b>1,093</b>	<b>1,126</b>
840	2668	0000	4251	EQUIPMENT RENTAL	0	1,225	1,345	1,225	1,225	1,262	1,300	1,339	1,379
				<b>TOTAL EQUIPMENT RENTAL</b>	<b>0</b>	<b>1,225</b>	<b>1,345</b>	<b>1,225</b>	<b>1,225</b>	<b>1,262</b>	<b>1,300</b>	<b>1,339</b>	<b>1,379</b>
840	2668	0000	4253	SERVICE FEES	15,890	15,300	7,095	15,300	15,300	15,759	16,232	16,719	17,221
				<b>TOTAL SERVICE FEES</b>	<b>15,890</b>	<b>15,300</b>	<b>7,095</b>	<b>15,300</b>	<b>15,300</b>	<b>15,759</b>	<b>16,232</b>	<b>16,719</b>	<b>17,221</b>





# OPERATIONS CITY OF GILROY

Run Date: 6/9/05  
REC

## 2005-2010 FINANCIAL PLAN - EXPENDITURES

Fund No.	Dept No.	Prog No.	Acct No.	Account/Program Title	2003-2004 Actual	2004-2005 Budget	2004-2005 Actual	2004-2005 Estimate	2005-2006 Budget	2006-2007 Budget	2007-2008 Budget	2008-2009 Budget	2009-2010 Budget
840	2666	0000	4201	UTILITIES	953,338	1,188,726	854,631	1,187,793	1,230,933	1,316,100	1,408,227	1,506,804	1,582,507
				<b>TOTAL UTILITIES</b>	<b>953,338</b>	<b>1,188,726</b>	<b>854,631</b>	<b>1,187,793</b>	<b>1,230,933</b>	<b>1,316,100</b>	<b>1,408,227</b>	<b>1,506,804</b>	<b>1,582,507</b>
840	2666	0000	4215	CONTRACTUAL SERVICES	693	5,098	0	5,098	5,098	5,251	5,408	5,571	5,700
840	2666	3011	4215	CATHODIC PROTECTION	0	15,606	0	15,606	15,606	16,074	16,556	17,053	18,000
840	2666	3022	4215	FLOW METERING CONTRACT	12,070	13,000	10,223	13,000	13,000	13,390	13,792	14,205	15,000
840	2666	3127	4215	RECLAMATION MASTER PLAN	0	150,000	84,971	0	150,000	0	0	163,909	0
840	2666	4835	4215	O & M CONTRACT	2,497,800	2,851,982	2,547,524	2,851,982	3,038,425	3,240,347	3,452,364	3,624,982	3,806,231
840	2666	4860	4215	BIOSOLIDS DISPOSAL	500,860	575,664	575,663	575,664	637,800	669,690	703,175	738,333	775,250
				<b>TOTAL CONTRACTUAL SERVICES</b>	<b>3,011,423</b>	<b>3,611,350</b>	<b>3,218,381</b>	<b>3,461,350</b>	<b>3,859,929</b>	<b>3,944,752</b>	<b>4,191,295</b>	<b>4,564,053</b>	<b>4,620,181</b>
840	2666	3117	4253	ANNUAL CAPACITY UPDATE	30,798	30,831	24,848	30,831	27,081	27,893	28,730	29,592	30,000
840	2666	3119	4253	SLUDGE DISPOSAL INSPECT	9,200	0	0	0	0	0	0	0	0
840	2666	3121	4253	ANNUAL HYDROLOGIC BALANCE	19,692	27,965	25,922	27,965	23,025	23,716	24,427	25,160	26,000
840	2666	3123	4253	MISCELLANEOUS/REG ISSUES	26,184	33,599	25,855	33,599	29,849	30,744	31,667	32,617	34,000
840	2666	3124	4253	COORDINATION MEETINGS	39,351	47,363	42,425	47,363	43,613	44,921	46,269	47,657	49,000
840	2666	3125	4253	GROUNDWATER MONTIORING	22,573	31,511	19,439	31,511	28,951	29,820	30,714	31,636	33,000
840	2666	3128	4253	RECYCLED WATER SYS SUPP	0	11,638	9,051	11,638	7,888	8,125	8,368	8,619	9,000
840	2666	3129	4253	CAPITAL IMPR SCHEDULING	1,196	24,093	19,205	24,093	0	0	0	0	101,000
840	2666	3130	4253	PERMIT RENEWAL ASSISTANCE	0	92,700	0	92,700	0	0	0	0	101,000
840	2666	3133	4253	INDUST PRETRMT PROG SUPP	0	189,240	0	189,240	0	0	0	0	234,000
				<b>TOTAL SERVICE FEES</b>	<b>148,994</b>	<b>488,940</b>	<b>166,745</b>	<b>488,940</b>	<b>160,407</b>	<b>165,219</b>	<b>170,175</b>	<b>175,281</b>	<b>617,000</b>
840	2666	0000	4256	PERMITS	39,766	48,700	43,432	48,700	48,700	50,160	51,666	53,216	55,060
				<b>TOTAL PERMITS</b>	<b>39,766</b>	<b>48,700</b>	<b>43,432</b>	<b>48,700</b>	<b>48,700</b>	<b>50,160</b>	<b>51,666</b>	<b>53,216</b>	<b>55,060</b>
				<b>CLASS 42 - MATERIALS &amp; SERVICES</b>	<b>4,153,521</b>	<b>5,337,716</b>	<b>4,283,189</b>	<b>5,186,783</b>	<b>5,299,969</b>	<b>5,476,231</b>	<b>5,821,363</b>	<b>6,299,354</b>	<b>6,874,748</b>
840	2666	0000	4320	EQUIPMENT/FURNITURE	0	0	0	0	0	0	9,785	0	0
				<b>TOTAL EQUIPMENT/FURNITURE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,785</b>	<b>0</b>	<b>0</b>
840	2666	0000	4325	VEHICLES	0	0	0	0	36,000	11,900	0	41,200	75,190
				<b>TOTAL VEHICLES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,000</b>	<b>11,900</b>	<b>0</b>	<b>41,200</b>	<b>75,190</b>
				<b>CLASS 43 - CAPITAL OUTLAY</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,000</b>	<b>11,900</b>	<b>9,785</b>	<b>41,200</b>	<b>75,190</b>

## 2005-2010 FINANCIAL PLAN - EXPENDITURES

Fund No.	Dept No.	Prog No.	Acct No.	Account/Program Title	2003-2004 Actual	2004-2005 Budget	2004-2005 Actual	2004-2005 Estimate	2005-2006 Budget	2006-2007 Budget	2007-2008 Budget	2008-2009 Budget	2009-2010 Budget
840	2666	4837	4571	FIVE YR ARBITRAGE REBATE	146,792	0	0	0	0	0	0	0	0
<b>TOTAL REFUNDS/REIMBURSEMENTS</b>					<b>146,792</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CLASS 45 - OTHER CHARGES</b>					<b>146,792</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>DEPARTMENT 2666 STP-OPERATIONS</b>					<b>4,300,313</b>	<b>5,337,716</b>	<b>4,283,189</b>	<b>5,186,783</b>	<b>5,335,969</b>	<b>5,488,131</b>	<b>5,831,148</b>	<b>6,340,554</b>	<b>6,949,938</b>



**CITY COUNCIL & REDEVELOPMENT  
AGENCY STAFF REPORT**  
*Meeting Date: June 22, 2005*

Agenda Item # 10

Prepared By:

Council Services &  
Records Manager

Submitted By:

City Manager

**AGREEMENT WITH MORGAN HILL COMMUNITY  
FOUNDATION FOR CENTENNIAL MORGAN HILL ACTIVITIES**

**RECOMMENDED ACTION(S):** Authorize the City Manager/Executive Director to prepare, execute, and implement an agreement with the Morgan Hill Community Foundation in an amount not-to-exceed \$54,500 for centennial celebration activities for FY 05-06.

**EXECUTIVE SUMMARY:**

In March 2005, the Redevelopment Agency allocated \$29,500 in Agency funding for activities of the Centennial Morgan Hill Committee (Committee). Since that time, staff has recommended, as part of the FY05-06 budget, another \$25,000 in City general fund reserves be allocated for these activities. The total amount allocated for centennial celebration activities during FY05-06 would be \$54,500. The funding would be used for the following activities/expenses:

- Marketing materials (e.g., centennial products) Printing, phone line, and post office box rental
- Design/hosting of a website
- Logo design
- Stationary and postage/mailings
- Insurance
- A variety of special community events to be held throughout 2005

The Morgan Hill Community Foundation is the umbrella organization for the Committee and is the legal entity through which the funding will be provided.

**FISCAL IMPACT:** The FY04-05 BAHS Economic Development budget (Fund 317) allocates \$29,500 for this activity. The FY05-06 Community Promotion budget allocates \$25,000 for this activity. As a result, the use of City funds will be subject to the approval of the FY05-06 budget by the City Council.

**CITY OF MORGAN HILL  
JOINT SPECIAL CITY COUNCIL AND  
SPECIAL PLANNING COMMISSION WORKSHOP  
MINUTES – JUNE 8, 2005**

**CALL TO ORDER**

Mayor Kennedy and Planning Commission Chair Lyle called the special meeting to order at 7:00 p.m.

**ROLL CALL ATTENDANCE**

City Council

Present: Council Members: Carr, Grzan, Sellers, Tate and Mayor Kennedy

Planning Commission

Present: Planning Commissioners: Geno Acevedo, Robert Benich, Robert Escobar, Susan Koepp-Baker, Ralph Lyle, Joseph Mueller

Absent: Planning Commissioner: Charles Weston.

**DECLARATION OF POSTING OF AGENDA**

City Clerk Torrez certified that the special meeting agenda was duly noticed and posted in accordance with Government Code 54954.2.

**SILENT INVOCATION**

**PLEDGE OF ALLEGIANCE**

**PUBLIC COMMENT**

Mayor Kennedy opened the floor to public comment for items not appearing on this evening's agenda.

Dan Erhler, Executive Director, Morgan Hill Chamber of Commerce, announced two upcoming events: 1) Friday, June 10 – Leadership Joint Venture Silicon Valley Network. To be discussed will be Silicon Valley development opportunities and challenges. This is a significant meeting with information to be provided. 2) Friday, June 17 - Coyote Valley Specific Plan Progress Report to be presented by City of San Jose Mayor Ron Gonzalez and City of San Jose Deputy Planning Director at a Morgan Hill Chamber Business Forum. He indicated that this presentation will prove to be interesting and that it is hopeful that new information/clarification will be given. He requested that the Council consider attending these two meetings.

No further comments were offered.

## ***City Council and Planning Commission Action***

### **WORKSHOP:**

1. **DISCUSSION OF PROPOSED CHANGES TO THE RESIDENTIAL DEVELOPMENT CONTROL SYSTEM EVALUATION CRITERIA RELATING TO THE DOWNTOWN AREA, AND OTHER POLICY MATTERS RELATED TO THE DOWNTOWN AREA**
- 1.1 Policy Direction on Recommended Scoring Changes
- 1.2 Policy Direction Regarding the Provision of BMR Units in the Downtown
- 1.3 Policy Direction Regarding Increasing the Development Density in the Downtown CC-R District
- 1.5 Overall Vision for the Downtown

Planning Manager Rowe addressed the changes to the evaluation criteria focused primarily on the downtown area. He said that changes have been proposed in the schools category, landscaping, and natural & environmental categories; changes that apply to the broader competition. With respect to the downtown, he said that in January 2005, the Council gave direction to staff and the Planning Commission to review the evaluation criteria for the downtown and to draft criteria that would create scoring opportunities for higher density projects in the downtown. He said that the Measure C subcommittee focused on creating these types of opportunities as well as drafting criteria that would encourage the kind of housing desired in the downtown. He addressed/summarized proposed changes to the standards and criteria categories (e.g., open space, livable communities, etc.). He stated that the Measure C subcommittee believes that the proposed changes will allow projects, previously unable to achieve a minimum passing score, to be able to achieve a passing and competitive score. A concern shared with the changes proposed is associated with the housing needs category. He said that it would be possible, with all the additional points that one could earn, for a project to choose not to provide a below market rate (BMR) unit. The Measure C subcommittee is recommending that there be a minimum passing score of 8 points under the housing needs category. This would require a project to, at a minimum, pay a standard housing mitigation fee. He requested Council direction on the proposed scoring changes. He stated that a Measure C subcommittee meeting is scheduled tomorrow morning at 7:30 a.m. for the purpose of responding to tonight's comments; returning to the Council on July 6 with changes in an ordinance format. He informed the Council that the Measure C subcommittee consists of Planning Commissioners Bob Escobar, Joe Mueller, and Ralph Lyle; John Marquez, local developer; Leslie Miles, representing the Downtown Association; and in consultation with Bonnie Tognazzini with the Morgan Hill Unified School District. He indicated that an earlier workshop was held, inviting design professionals who have expertise in building downtown housing, in order to provide the Measure C subcommittee advice on ways to encourage housing in the downtown area. He clarified that approximately 80% of the recommended changes were specifically tailored for the downtown.

Commissioner Escobar said that the proposed changes before the Council underscore how Measure C, in its broadest spectrum, was not tailored or structured to accommodate the framework of the Downtown Plan. He stated that the subcommittee was trying to retrofit the standards and criteria, the best way possible, in order to apply them to the downtown area.

Commissioner Lyle felt that the standards and criteria demonstrate flexibility in Measure C and that it can adapt to a different environment.

Mayor Pro Tempore Tate stated that the City is trying to encourage residential development in the downtown; making the units affordable based on high density and not necessarily from a BRM stand point. When he looks at the open space provisions, it requires that a developer provide open space. If a developer has to provide several items that cost money to attain points, he inquired whether this would result in the City achieving the type of housing desired.

Commissioner Mueller stated that the downtown will be a separate competition. Therefore, you cannot assume that downtown projects will score in the 185 point range similar to an open market project. Downtown residential projects will score lower because they will not agree to pay for items to attain points. However, it is felt that a downtown project needs to achieve a passing score.

Chairman Lyle said that there are essentially 22-30 points that are free or low cost points compared to what was authorized under the prior standards and criteria. There are another 11 opportunity points and other points that can be purchased. He said that as many as 58 points can be achieved by downtown project proponents that were not achievable in the past. He felt that this is a massive change. He said that 8-11 points can be achieved for proposing a high density project.

Commissioner Mueller indicated that the subcommittee proposes a different coverage element. The proposed changes offer points to a developer who agrees to pay into an open space fund. However, the open space fund is to be used in an area that would generate a “sense of space.”

Mayor Kennedy felt the City should be providing incentives and encouraging developers to build a vertical mixed use in the downtown.

Chairman Lyle said that a set aside would be the mechanism that would encourage vertical mixed use in the downtown. He noted that there are 80 downtown housing set asides in the first year and that a downtown developer would only compete against other downtown developers for downtown set asides.

Commissioner Acevedo said that as the Measure C standards and criteria are currently written, developers cannot meet a minimum passing score to build high density. He stated that the proposed changes will allow developers to meet a minimum passing score. He said that the ability to develop high density projects has not been a limiting factor; it has been the ability to meet the minimum passing score to be able to be awarded allocation. The proposed changes will allow a high density developer to meet a minimum passing score. Once developers are able to meet the minimum passing score, they can start to address the housing needs and other criteria.

Commissioner Mueller clarified that rather than changing the criteria to allow downtown developers to meet a minimum passing score, it is being proposed to change the points to measure items that would get the City the type of project it would like to see developed in the downtown. He said that the criteria has been set up such that it would focus within the framework of the Downtown Plan. With input from

the consultants that participated in the Downtown Design Plan, comments were incorporated into the criteria. He stated that a lot of the changes do not cost money. However, they do encourage the type of development the City would like to see in the downtown.

Mayor Kennedy stated that he likes and is supportive of several of the proposed changes (e.g., changes that relate to the downtown: public facilities, public art, parks & paths, mid block walkways, etc.). However, he needs to understand how the changes relate to the award of allotments.

Council Member Carr inquired whether the proposed changes are meeting the goals of the Downtown Plan.

Commissioner Mueller indicated that the Measure C subcommittee recommended that a separate fund be established. These funds would be used to create a sense of public space versus contributing monies to a separate park fund. He stated that a separate competition is being recommended for the downtown and that investments are to be made by developers into the downtown to help meet the goals of the Downtown Plan. The proposed changes would be an incentive for a project that wants to score well and is willing to spend some money in the downtown. If you have an aggressive competition, developers will have an incentive to provide amenities for the downtown, resulting in a direct benefit to the downtown and to respective projects.

Planning Manager Rowe clarified that some of the proposed amendments to the standards and criteria applies to downtown development and the open market competition. It was suggested that a separate criteria document be created for the downtown. He noted that a portion of the new criteria and points recommended apply only to projects located in the downtown. He said that there may be some confusion when you look at the recommended changes. A separate document could be created that contains the same information, but highlights categories applicable to downtown projects.

Commissioner Benich said that he tried to include a summary sheet in the ordinance adopted last year that shows how many points are available in each category. The summary sheet would allow a developer to review the summary sheet and determine how many points can be achieved. He felt that it is hard to follow the standards and criteria in terms of determining how one can achieve points.

Commissioner Mueller said that a narrative for the downtown area may need to be a separate document from that of a general market rate narrative.

Planning Manager Rowe noted that the proposed revisions to the standards and criteria clearly identify when points apply to projects in the downtown area. He said that there are points in certain categories that can be attained at a relatively low cost or no cost to downtown projects.

Mayor Kennedy stated his support of Commissioner Benich's suggestion of a point summary sheet or break out of the criteria for the downtown projects. He supported any document that would make the narrative easier to understand.

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Council Member Grzan agreed that a summary point sheet would be helpful as well as separating the narrative into two separate documents. Separating out a narrative for downtown projects would make it easier for developers to identify the standards and criteria that would apply to them.

Council Member Sellers noted that the City has not had any development in the downtown for at least 15 years. Amendment to the standards and criteria will allow the development of higher density than is already seen in the downtown area. He did not believe that the City will get close to where it wants to be in the downtown if all it does is modify Measure C. He indicated that the Downtown Association unanimously voted to request that the City consider excluding the downtown area from Measure C. He stated that he was convinced that this is what the City needs to do, and that he would be asking the Council to consider placing this question on the ballot. He recommended that the City look at eliminating the development fees for a set period of time in the downtown area to encourage mixed use development. He did not believe that the City has provided incentives for development in the downtown. The changes being recommended may allow some development to occur, but not to the degree needed. He would support dedicating planning staff for the downtown to help the process through. He felt that the City needs to eliminate development fees so that the City can provide additional incentives. More importantly, he recommended the development of a smart growth overlay that has a separate set of standards and criteria at a grander scale. He stated his appreciation for all the work that has been done because it has maximized the value of Measure C, and has proven that there is no way the City can make Measure C work for the downtown.

Council Member Grzan said that one of the comments heard about the downtown is that it lacks vitality. An argument that he has heard is that by bringing in some vertical mix use into the downtown would add vitality to the downtown. He was not sure that by increasing the number of residents in the downtown it would result in an increase of commercial in the downtown. He would like to see figures on how many residential units would need to be built to increase commercial revenues. He did not know how one would quantify vitality of the downtown.

Council Member Mueller noted that the Downtown Plan is a framework for the downtown. What is needed is a specific vision for how the downtown is to work. In his discussions with individuals, it is felt that a sense of place is critical. He does not know if an additional 50,000-75,000 square feet of commercial area is needed, where it is to be constructed, and how it is to be implemented. He did not believe the City would find someone willing to lease space at a price needed to build the commercial-retail area. He noted that the rents in the downtown are low at this time because there is no critical mass. He felt that the City needs a critical mass of commercial and retail space, and needs to know how it is to fit; determining the vision. Then, individuals who lease the space will be willing to pay a higher dollar amount as it can be stated that everyone is coming to this sense of place. There will be enough space and people to support commercial-retail in the downtown. He felt that it is the lack of vision and the lack of a plan to implement the vision that has been the holdup for the downtown. He acknowledged that there are many individuals who want to relocate to low commercial rents. However, he did not believe that the low rents will justify new commercial and/or retail buildings. The only way the City would get new buildings is to generate enough sense of place. Then you build on top of these some residential units to give it a 24-hour feel. He felt that the downtown has to be made a destination for everyone.



Council Member Grzan expressed concern that individuals believe that a mixed use facility, by itself, would generate vitality. He felt that adding residential units may solve part of the problem. He stated that he needs to see numbers that identify the square footage needed, plans for the downtown, and the income to be generated. Once this information is provided, the City can discuss the overlay of residential units and how they would contribute to the downtown. He did not know whether the City would ever become a destination point. He noted that the City has invested into the downtown, over the past years, without a marginal return. He stated that he needs to see driving numbers that depict how the plan will work, followed by buy in from others that it will work.

Commissioner Escobar concurred with Commissioner Mueller's comments. He said that the comments made by the two consultant teams, at a workshop, indicate that the City cannot proceed in generalities. By the same token, whatever the City does will be somewhat of a risk because you cannot determine whether a commercial component will be the anchor for the rest of what is to take place in the downtown. He felt that the market will dictate what will take place in the downtown. He said that there needs to be a genuine blend of mixed uses with some flexibility to take place over a period of time. There needs to be something more than just a Downtown Plan. He noted that the consultants felt that planning needs to be relatively detailed. He felt that the City was a long way from this at this time. Even if the City has a developer submitting proposals and they achieve points, it does not go to the point of designing a complete downtown. It was his belief that it is difficult to fit the outcome into an existing process. It can be done, but the City will be focusing on a point structure with some general direction toward meeting the conceptual element of the Downtown Plan. He did not believe the City knows what the finished product will be or what it will look like.

Commissioner Mueller said that the City has a good opportunity to come up with a vision, a valued proposition and a goal that states the City wants the downtown to be a gathering place for Morgan Hill residents and their friends. He felt that this is a goal of the City and that the City needs to take this to the next step. In order to do it right, he felt the City needs to have a concrete plan for Second Street to Fourth Street, just east of Monterey Road to Depot Street. If the City is able to develop a concrete plan for these two blocks, creating a critical mass of commercial-retail with a residential and/or office component built above, the City can plant the seed that would allow the rest of the downtown to take place.

Mayor Pro Tempore Tate felt that the term "vision" is a high level outcome. Yet, Commissioner Mueller is narrowing it down to a smart growth overlay.

Commissioner Mueller clarified that a vision to him is not high level, but a physical realization of a mission. A vision is specific that states that in 3-4 years, certain things are to take place and what it is to look like. To be identified are the steps to be taken in order to complete the vision (e.g., review city fees, RDA incentives, streamlining the process, etc.). Once this occurs, the City can go to individuals who want to occupy the space and state that development will occur. The City can approach property owners and advise that this is the time to act and that they need to be a part of the vision.

Mayor Kennedy concurred with Commissioner Mueller's comments about the objectives. However, he concurred with Mayor Pro Tempore Tate that this is not a vision. He would call this a specific plan and not a vision. He felt that a specific plan is needed for the downtown and that a residential community needs to come before a destination.

Commissioner Mueller and Chairman Lyle felt that a destination is needed in order to draw residential.

Commissioner Mueller agreed that you could construct a residential community first and that commercial will follow. However, when you talk about having a total of 100,000 square feet in commercial-retail space in the downtown, he did not believe that you could develop enough residential to make the commercial-retail successful.

Chairman Lyle noted that the downtown is constrained space wise. He noted the City made the decision to build only three stories high. He did not believe that the downtown would accommodate many residential units. You may be able to develop a couple of hundred more units, but noted that you have 12,000 dwelling units outside the downtown area that needs to be drawn into the downtown.

Council Member Sellers noted that details exist for the downtown in the Downtown Plan; sound practices adopted by hundreds of other downtown communities, with smart growth overlays. The City just needs to apply them to the downtown area. He agreed that this is a detailed process, but that it can also be a fairly short process. He felt that everyone wants to go to a downtown where activities take place. He said that you want to slow traffic down, and felt that if you can place individuals on sidewalks, it will slow traffic down. He felt that Measure C is altering the market forces and that this was great for the entire community. However, it is the same market forces that controlled growth and stifled the City's ability to do what it wants in the downtown.

Chairman Lyle acknowledged that the City has not had the density that would encourage the vitality desired for the downtown and that it still does not. He said that this summer, the City may make a short term change and then will need to make a longer term change. He noted that the City could have encouraged development in the downtown, but that Councils did not implement the incentives to develop the downtown. It was not solely Measure C that hindered the vitality of the downtown; it was Measure E-P-C, City Councils and Planning Commissioners who implemented the policies that stated that there would be no give aways on fees or other concessions. If the Council wants to implement fee waivers and other policies, the Council can do so. However, the density is needed as well. He stated that in order for the downtown to be successful, it has to draw from the remainder of the community. He said that it would be difficult to build more than 50-60 units per year in the downtown. He noted that there are 12,000 residential units built already. If the downtown was a destination point, these individuals could be drawn to the downtown. Drawing residents from the 12,000 units can be done faster versus building 50 additional units per year.

Council Member Grzan stated that in the years he has lived in the community, he continues to hear that the downtown needs more vitality. He was not sure that by going to a vertical mixed use that it would solve the problem. He indicated that he has heard individuals state that the existing businesses in the downtown cannot be the same businesses in place today that would make the downtown a vital place.

Commissioner Mueller said that in talking with consultants, it was determined that you need to generate space (e.g., 100,000 square feet of commercial/retail space). Once you identify the square footage of space to be made available, the right individuals will develop the space over space. However, you cannot dictate the users of the building. He felt that the market would take care of this if a sense of a space is created and enough space is provided. This is one of the reasons it is important to get the vision in place. If you move forward with residential development too fast, without the vision in place, residential will be constructed where commercial-retail space is needed. He said that you need to have the right amount of residential and commercial-retail in order to make the downtown work. He said that you need to generate the vision. Once you do so, you can build residential around commercial or on top of it. Vertical mixed use is necessary so that it gives you the 24-hour feel. He stated that in order to create vitality in the downtown, you need individuals in the downtown for longer periods of time.

Mayor Kennedy stated that Rockridge is a wonderful place to visit. Rockridge was developed in a dense older residential neighborhood and was built with the market place that exists. He noted that Rockridge is a popular place and that it happens to be located adjacent to a BART station. He said that when Rockridge built the market, they built residential above. It was found that this did not work. Therefore, the residential units were converted into office space. He felt that the City will need to try some options, take risks, and move the process forward.

Mayor Pro Tempore Tate did not believe the City can dictate what goes where, but that the City has a general notion of how the downtown should be laid out. He did not agree with the recommendation that the downtown residential development be excluded from Measure C. Should individuals want to take the question about excluding downtown residential development from Measure C, it would take 1½ -2 years to place a measure on the ballot. He felt the Council needs to move forward with the proposed changes in the downtown. He indicated that he and Council Member Carr participated in the Measure C update process and incorporated the downtown into Measure C, as much as possible, knowing that the criteria would have to change. He stated that he has not been convinced that Measure C cannot accommodate the growth needed for the downtown. He noted that allocations have increased. He was not sure that the City would achieve a better rate if items were excluded. He stated that the City has a criteria that applies to downtown residential development and that there were a lot of benefits to the criteria. He recommended that the City try to make the downtown work with Measure C. If taken outside Measure C, he was not sure how it would work in terms of the affect on the rest of the community because residential development is affected by the formula.

Commissioner Acevedo agreed with Mayor Kennedy's observation about Rockridge. He said that whenever you have retail, restaurants and/or entertainment below with commercial-office suites above, they tend to be successful. He indicated that he visited Concord the other day for a grand opening and that the building had four stories of office space which he believed were residential at one time. He said that this area is surrounded by retail and office uses and is also close to a Bart Station. He inquired whether Commissioner Mueller was recommending spot zoning in the downtown.

Commissioner Mueller clarified that he is suggesting that a two block area in the downtown be looked at and that a specific plan be adopted. He noted that the current CC-R zoning district in place for the downtown, allows commercial-retail with housing or office space above in limited locations.

Commissioner Escobar felt that the process is important, acknowledging that Measure C is also important based on the work done. As the City has not had a lot of development fall under Measure C, the impacts are not known. The question is whether or not what the City wants, collectively as a community, is doable under the standards and criteria, even with the changes. He noted that some individuals believe that it is and that some believe that it would be difficult to achieve a specific plan and/or vision. Therefore, rushing to do something for the sake of satisfying a process or procedure may not get the City where it wants to be. It may not address the questions that Council Member Grzan or Commission Acevedo have in terms of spot zoning. It may be that the issues are to be addressed by structured ordinances. He felt the question is whether or not the downtown was important enough to evaluate or examine from this standpoint. He did not know enough about the suggestion of taking residential development in the downtown outside Measure C, whether it would violate the integrity of Measure C, and the process. It is known that the downtown is different; thus the reason for going through all this work. He felt that you need to get individuals interested and qualified to develop in the downtown. However, he did not believe that this was the ultimate objective.

Council Member Grzan said that what works in other places may not work in Morgan Hill because of demographics, culture, economics, etc. He would like to see our downtown become a destination place, a place that is colorful and lively. If this is what the City and community wants, the downtown may need to be bulldozed over. The downtown could be rebuilt from scratch to build space and a lot of retail to give it the lively destination where individuals would come from all parts of the region to visit Morgan Hill and shop. He was not sure if this is what Morgan Hill wants to be and whether it is viable, considering what will be taking place in Coyote Valley. He was not sure whether the City would draw individuals no matter what it does. Before investing significantly into the downtown, he felt the City needs to know what it will be doing. He does not object to taking a risk, but recommends reducing the risk as much as possible with as much information being provided and studies prepared that would make the downtown work. He inquired whether the Council was willing to take a chance to change things such as Measure C, or excluding the downtown from Measure C. He said that he would look seriously at separating the downtown from Measure C if it can be shown that changes can be made to make it the vital place the community wants.

Chairman Lyle felt that Commissioner Mueller raised a valid point about having a vision. Council Member Grzan addressed risk and how much money the Council wants to pour into the downtown that may not increase the City's return. There is a question about equity. He expressed concern that should the City agree to subsidize one portion of development in the community, will the other portion of the community cry foul when they see that their fees are suddenly higher because they are subsidizing others. His greatest concern is with timing. Even if the Council decides to take the downtown out of Measure C, there is a problem with logistics. It is being stated that development in the downtown is needed now. He noted that an election is a ways off unless the City spends a lot of money for a special election. He said that the Council needs to review the structure before going to an election. Further, you will lose the window period for how soon housing is to develop in the downtown. He stated that he

would like to find a way, for this competition, to try to get a vision for the downtown. He was not sure how the City can ensure that whatever comes forward in this competition would blend with the downtown.

Council Member Sellers clarified that he was not suggesting that this was an either or process. He recommended that the City consider moving forward as there are no downsides to moving forward with the proposed suggestions. He has no doubt that the changes will have some impact. However, if this is all the City does, the City would not be doing enough. If the Governor calls for an election this fall, this may be an opportunity for the City to amend Measure C. He felt that there was a way to proceed with the basics, fairly quickly, because most of the information exists. He agreed that there is always some risk with the suggestions. He noted that it has been 16 years that he has been working on downtown issues with some strides being made, incrementally. He felt the City is at a point where the downtown community may start back paddling fairly quickly. He expressed concern about the PBID that may be teetering. This could be because the downtown businesses are not seeing anything they can hold onto. He indicated that the Downtown Association will be seeing large changes. At the very least, he would support moving forward with the recommended changes to Measure C. However, he felt that bigger steps need to be taken, including the discussion of exempting development from Measure C to try and spur development in the downtown.

Commissioner Benich stated that the changes being suggested merely carries forth what the Downtown Association has already put forth with the adopted Downtown Plan. He felt that the Downtown Plan is a great vision and that individuals are excited about the Plan. The proposed changes will level the playing field; allowing development to start, and test the market. He could not see a reason why the City could not move forward with the recommended changes. With respect to the other ideas raised, such as coming up with a bigger plan, he stated that he would support this, but in parallel. He felt that it was time to do something as the City has been talking about this issue for many years.

Mayor Kennedy concurred with the comments expressed by Commissioner Benich.

Commissioner Mueller stated that the Planning Commission has been talking openly about raising the density in the downtown slightly to make it work better. He did not believe that there is a shared vision for the downtown. He felt the City needs to be the keeper of the shared vision. He recommended that the City detail out the two square blocks and talk to landowners and developers to determine what it would take to move forward with the downtown vision. Once you see the critical mass taking place, especially with the courthouse moving in, adding to what is taking place on Depot Street, will create excitement and activity. It will take the City to state that in order to have a vital downtown, changes need to take place and that a critical mass needs to be provided. He noted that 600,000 square feet of commercial is proposed on Cochrane Road and Tennant Station. He felt that the downtown needs a boost, a shared vision, and a City that is willing to look at what is going on. He stated that with the changes being proposed for Measure C, you could see a case where the downtown allocation can be awarded, south of Dunne Avenue. He felt that there is a way to alter this somewhat but that the City may not be able to prevent it. Having a shared vision and identifying a core will assist in making the downtown a vital place.

Mayor Kennedy noted a suggestion from the Measure C subcommittee is that the City put together a committee and/or a consultant to address Commissioner Mueller's comments. There is also a question as to whether the downtown has the appropriate density. He felt that both of these would require further investigation.

Chairman Lyle felt that the question about the appropriate density is a two step process. He said that you can review the environmental impact report (EIR) in order to determine whether the density can be changed, somewhat, and still fit within the EIR. He stated that it would take a little work to determine how much the density can be increased without violating the EIR. However, should the density need to be higher, the City would need to proceed with the EIR process, noting that it will take a while to go through this process. He felt the City needs to move quickly to where it can without impacting the EIR so that the projects coming in this fall can take advantage of the density. He indicated that there was a project in the downtown that fell out of the Residential Development Control System (RDCS) process because the current density was not sufficient. He felt that the density in the downtown can be increased such that this project would have been viable without proceeding with an EIR.

Planning Manager Rowe said that the Council could direct staff and the planning commission to look into the feasibility of increasing the downtown density without the need to supplement the environmental work that was done for the Downtown Plan. The second step would be to look at the appropriate density range, public facilities, capacity of the streets, etc.

Commissioner Mueller felt that increasing the density to 24 dwelling units per acre would make several projects viable in the downtown. He did not believe that high densities could be built with a three story limitation and that building above three stories was not necessarily the right thing for Morgan Hill. He supported the Council providing direction to have the Commission look at two specific blocks. It was his belief that a specific plan for a two block area in the downtown and modifications to Measure C will allow for things to take place in the downtown.

Council Member Sellers indicated that the Downtown Association has the expertise, inclination, and the desire to provide a preliminary answer to the question of the recommended area and come up with a more specific plan, parcel by parcel and area by area. He would support asking the Downtown Association to return to the Planning Commission with Commissioner Mueller's suggestions as a framework and provide specifics to a recommendation.

Commissioner Mueller agreed that the Downtown Association has to be a part of the process. He felt that the holder of the shared vision would be the key driver.

Mayor Kennedy agreed that the Downtown Association can work on this; returning to the Planning Commission and making their presentation.

Council Member Carr stated that he hears some consensus forming around the table that the City should move forward with the recommended changes to the standards and criteria. The bigger picture is an important one to the Council, but what is of urgency at this time is amending the standards and criteria. He referred to page 7, Schools category. He noted that it is being recommended that the total points

under this category be lowered from 17 to 16 points. He could not understand where the 1 point was lost.

Commissioner Mueller clarified that the points were lowered for the standard State mandated fees by 1. However, two points were added and that the points could be maximized if a developer provided an amenity desired by the School District.

Council Member Carr referred to page 59, award of allotments and unused allocations. He noted that it states that the Planning Commission can award any unused allocations to an ongoing or next in line project(s) in other competition categories.

Commissioner Mueller indicated that award of unused allocations has been in the standards and criteria for a long time.

Chairman Lyle clarified that this language is specific to micro projects.

Council Member Carr inquired whether allotments not used within a specific category, such as micro allotments, can be rolled over into other set aside categories.

Commissioner Mueller stated that the Council provides the Commission direction and latitude in each competition.

Chairman Lyle clarified that unused allocations for the downtown would be carried over.

Council Member Sellers addressed the economic viability of downtown residential projects. He inquired whether it was possible to mold recent improvements in the downtown area and give developers credit in order to move forward with a project (e.g., broaden the definition of the open space category).

Commissioner Mueller said that several changes are being proposed to the standards and criteria to help the downtown develop in the right way. Until applications are submitted for the downtown, the City will not know how successful the amendments will be. The Measure C subcommittee tried to provide a tight nexus such that a project that needed a couple of points can attain them.

Chairman Lyle referred to page 56, item 9. He indicated that this item addresses Council Member Sellers' concerns about granting a developer credit if they are able to fill in a project, and not need to install infrastructures, 2 points can be attained.

Mayor Kennedy referred to the housing needs category. He noted that a minimum passing score of 8 is being recommended. He stated his support of the last sentence that exempts vertical mixed units such that they automatically receive 8 points.

Chairman Lyle said that should the Council wish to exempt vertical units, it should only be for small vertical units.

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Commissioner Mueller said that if you exempt BMR units from the downtown, the City will have Housing Element General Plan issues.

Mayor Kennedy said that he would support exempting the downtown from providing either a BMR or \$150,000, initially, as an incentive to get the projects moving forward.

Council Member Sellers noted that in the past 15 years, 100% of the units built in the downtown have been below market rate units.

Chairman Lyle indicated that the Council is considering several proposed changes this evening that may have a major impact on the next set of ABAG housing numbers. He said that the current ABAG numbers state that the City should be providing 91 very low and low market rate units. Should the Council take an aggressive decision on all items being discussed this evening [e.g., exempting the downtown, agreeing to affordable housing developers' request for development (developing 25% market rate units, etc.), and changes made to encourage moderate homes], the ABAG requirements of 91 units become 29 units of very low and low. He felt that this could result in problems. He felt the City needs to be careful on how it proceeds.

Mayor Kennedy did not believe that development in the downtown needs to provide BMR units in the initial competition. Once the City understands what is taking place, this could be changed.

Chairman Lyle said that the Council could: 1) exempt BMR units from the downtown, 2) exempt small projects, or 3) that downtown projects that produce 100% moderate and lower priced housing units will attain some point score.

Council Member Sellers felt that it made sense to entice developers to build in the downtown. Therefore, he would support exempting the requirement of BMR units in the downtown.

Mayor Pro Tempore Tate felt that some credit should be given to a developer who provides all moderate or below market priced housing units.

Mayor Kennedy felt that a developer should be given credit for providing affordable housing units.

Chairman Lyle clarified that the Council could direct that a project could achieve some number of points under the housing needs category if a project proposes moderate priced housing or lower.

Mayor Kennedy stated that he would support Chairman Lyle's clarification.

Commissioner Benich did not recommend the City exclude the higher end housing priced units. He did not want to see the downtown developed as all low or moderate unit housing project(s).

Commissioner Escobar noted that it was being suggested that the City allow for a certain degree of the market to take its place, predicated on what type of project is to develop. If higher density is developed, you will generally tend to see more moderate priced homes constructed.



Commissioner Mueller felt that the City needs to be creative if it wants to get some housing in the downtown that is of a lower value.

Chairman Lyle said that a certain number of points can be granted if a developer provides all moderate rate units and additional points if a developer provides moderate and other income level units.

#### 1.4 Review and Discuss Implications of Expanding the Downtown Area South of Dunne Avenue

Planning Manager Rowe distributed a map depicting the expansion of the downtown area, south of Dunne Avenue. He said that concerns have been expressed that the expansion of the downtown area competition beyond the limits of the Downtown Plan; opens the door for larger parcels. There may be a possibility that the 200 housing units allocated for the downtown by the Council could result in housing projects being approved around the periphery of the Downtown Plan area as opposed to areas in the Downtown Plan.

Commissioner Mueller expressed concern that the units the City would like to see constructed in the core could be built outside of the core area, particularly south of Dunne Avenue. He said the City could review the Orderly & Contiguous section as it relates to the core area and grade a project based on its location to the central part of the core area versus the outer part of the core. However, he was not sure if this would create enough bias. He said that the Planning Commission is concerned that an expanded downtown area may not achieve the units the City wants to see in the downtown.

Council Member Sellers said that this is an issue of timing as it makes sense to develop this area out. It could be that amending the Orderly & Contiguous category could address the issue.

Mayor Kennedy stated his support of Commissioner Mueller's suggestion.

Mayor Pro Tempore Tate indicated that he would agree to amend the Orderly & Contiguous category as long as it is heavily slanted toward the absolute core.

#### 2. Integrating Market Rate and Affordable Housing Units

Director of Community Development Molloy Previsich inquired whether up to 25% market rate units could be allowed as part of an affordable project. She noted that the current criteria for projects competing in the affordable category have to be 100% affordable. Allowing this modification will result in reducing the extent of public dollars needed to subsidize these projects. She inquired whether the City would agree to allow a market rate housing developer to partner with an affordable housing provider, taking some of the affordable housing allocation and pairing them up with a market unit project. This would provide a higher level of affordable housing in a market rate project that would be drawn from two separate housing categories. This may result in building the project out faster.

Mayor Pro Tempore Tate requested an explanation on how a market-affordable housing project would work.

Commissioner Mueller indicated that this is a concept with an outcome proposed. He noted that the affordable housing project located at Central and Monterey Road was built out with no financial assistance from the City. It has 4-5 open market housing units and the rest are 100% affordable units. The allotments for this project were awarded in two different ways and in two different competitions. He said that the profit from the open market units would help subsidize the project. If this is an acceptable concept, he requested that the Council allow the Measure C subcommittee to work out the details.

Mayor Pro Tempore Tate stated that he needs to know the impacts to the open market rate competition before he can state whether he could support the concept.

Commissioner Mueller indicated that he did not know how to respond to Mayor Pro Tempore Tate's question as there may be several ways to accommodate the concept of mixing open market units with affordable projects.

Ms. Molloy Previsich stated that the Council would need to decide whether a developer would need to compete under two separate competitions and that units are drawn from each category. She said that there is a concern that the City does not diminish the total number of affordable units available overall. She said that this would need to be taken into account in deciding how many units are available within each category. The City would need to set up a process where a project could attain units from two categories, or set up a defined process where a developer can draw from one category, even though it is 25% affordable in a market rate project or 25% market rate in an affordable project.

Chairman Lyle said that it would be a trade off. The City would have to state that there are fewer units available for the regular market rate competition, or the City will be even further away from the ABAG numbers.

Ms. Molloy Previsich clarified that under the current eligibility criteria, the City's rule states that a project has to be 100% affordable. She indicated that the Council could consider changing the criteria to stipulate that a project only needs to be 75% affordable and still compete under the affordable housing category.

Council Member Carr stated that up to 25% market rate units should be allowed in an affordable project because it was his belief that it was the right way to build diversity into the community. He felt that the City should be striving to build diversity and that the economic side should come in second to this. However, he expressed concern that this would get the City further away from the ABAG numbers. He expressed concern about closing this gap.

Chairman Lyle stated that there are a lot of hard questions to consider. There is a question as to whether a project that wants to build both market rate and affordable units should compete as two different projects or compete as one project. If they compete as one project and have a housing mix, he did not know how some of the categories would be scored (e.g., open space, amenities). He said that additional language would need to be incorporated on how a mixed housing product would work. He said that the

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Council could make the changes that stipulate that 75% of a project be affordable by a non profit agency to compete and be scored accordingly.

Mayor Kennedy recommended that the Council ask the Planning Commission to conduct the work to allow a 75%/25% housing product.

Chairman Lyle did not believe that a non profit and for profit developer project is doable at this time as it is a complicated issue and would take some time to work out.

Mayor Kennedy stated that he agreed with Council Member Carr's position and direction on this matter.

Mayor Pro Tempore Tate stated that he would need to review the implementation recommendation in terms of pros and cons on how to accommodate a housing mix project. He stated that he likes the basic concept.

Chairman Lyle said that the question whether a market rate housing developer is able to partner with a non profit agency is a complicated question, and that this would not be applied to this year's competition. He noted that this year's competition does not really come into play as the allotments are set.

Mayor Kennedy and Mayor Pro Tempore Tate felt that this concept was worth pursuing.

Commissioner Escobar noted that the question is whether the City should conceptually take a look at having a market rate developer work with a non profit agency. He said that the City will need to take a longer look at this.

### 3. Planning Commission/Planning Division Workplan and Activity items

Director of Community Development Molloy Previsich indicated that the Council reviewed the Planning Commission's/Planning Division's workplan as part of the budget study session. At that study session, the Council stated that it would like the opportunity to talk with the Planning Commission about the workplan. The Planning Commission also wanted to speak with the Council about some of the workplan items, in particular, expectations for the auto dealership strategy and land use near streams and riparian areas.

#### Land use near streams and riparian areas

Council Member Grzan noted that there are a number of wonderful creeks and streams in the community that the City can take advantage of in terms of recreational/restoration opportunities and making them viable creeks and streams. The question is how you integrate this with development. He has seen the development that occurred on Watsonville Road build a 9-foot high concrete wall along the creekside edge. He felt that development could have integrated into a natural area of habitat. He would like the City to preserve what the City has in place and to get away from the type of development that is occurring in Santa Clara, and other cities to the north, who developed concrete channels, fencing and

concrete walls along creeks and streams. He felt that Morgan Hill is noted for its open space and rural character. He would like to preserve this and expand upon this. He stated that ordinances in place and the General Plan are not restrictive enough as they suggest to a developer that certain actions be considered. He would like the ordinance strengthened and require developers to preserve creeks and streams, have them integrated into the community as viable recreational opportunities, and as alternative borders to get from one neighborhood to another.

Mayor Kennedy noted that the Santa Clara Valley Water District has good planning tools that are available. He agreed that the City needs to protect its riparian habitat, creeks, streams and trails.

Ms. Molloy Previsich informed the Council that the City is participating in a county-wide Santa Clara Valley Water District collaborative effort. She said that a draft report will be ready to present to all local agencies in approximately two months.

Commissioner Acevedo noted that Concord has a waterway on the east side of Highway 680 that has a running path along the side of the waterway as well as other flood canals running into it. He felt that it would be great to incorporate a running/biking path along waterways.

#### Auto Dealer Strategy and Walnut Grove PUD

City Manager Tewes said that a few weeks ago, the Community and Economic Development Committee made a report and recommendation to the Council that was adopted. It directed the City Manager and staff to work with property owners in the area to achieve a certain number of objectives. Also, that staff look at other opportunities for auto dealers in the community at other locations. He indicated that staff has developed the background and is ready to make the contacts directed by the Council.

Council Member Sellers said that Community and Economic Development Committee found that there was enough common ground. The Committee is working with staff in a direct and low key manner. He said that the Council seems to be going away from the concept of having other auto dealerships and so did the market on one side of the freeway. He felt that the items the City put into place resulted in a good job and will minimize impacts to the community. He stated that the Committee is close to conclusion and that the item is close to taking to the Planning Commission and then to the City Council.

Mayor Pro Tempore Tate clarified that he has not backed away from the auto dealership strategy.

City Manager Tewes stated that the strategy is to encourage more car dealers in Morgan Hill. The next step is to determine how many car dealers are desired and their location. Where there had been emphasis on the Walnut Grove area, it was suggested that the City look at other locations, including east of the freeway, for most of the remaining dealerships.

Mayor Kennedy and Mayor Pro Tempore Tate stated that they were not supportive of excluding other potential auto dealerships.

Mayor Kennedy said that a potential auto dealer should not be ruled out on the west side of Highway 101.

Council Member Sellers stated that the Committee wanted to be responsive to the market.

Mayor Kennedy opened the floor to public comment.

Rocke Garcia stated that he has an important piece of property located on Third Street. He recommended that the Council look at San Diego and how they turned their downtown around. He felt that the City needs to allow a developer to work with an architect to create what will work for the betterment of the City. If the Redevelopment Agency stays in affect, and 50 units were approved that sold at \$500,000 per unit, this would add to the City's coffer \$2.5 million in 10 years. He recommended the installation of street lights so that people feel safe going to the downtown. He felt that use of public funds could be used to help create the place for downtown. He indicated that he will design a project that the City will be proud of, but felt that the City needs to do its part as well.

Ryan Volpe, representing South Valley Developers, addressed the open market allowance for the affordable housing competition. He stated that this is a time sensitivity issue as the affordable housing competition takes place in October 2005. He requested the Council consider the partnership of a market rate and affordable housing project for this competition. He addressed South Valley Developers proposed master planned community to be maintained by one association. Should the project receive 64 allocations under this competition for a 256 unit project, he would have to compete four times to build out the project in a 10-12 year horizon. Each time the project competes, a new design will need to be submitted to modify according to adjustments made to Measure C. He stated that the housing price range may no longer be moderate at the next competition. This would be a four sale project versus a rental project. Regarding land costs, he stated that South Valley Developers was able to obtain the property under a different zoning and take it through a rezoning process. They are offering it to South County Housing at a price that makes sense for them. If they are allowed to offer 25% open market rate units, they would be able to subsidize the project themselves. In future competitions, land costs may not allow for these types of partnerships to exist. He said that approving this concept will push South Valley Developers' project through which will open the allocations in future competitions for various other projects.

Betsy McGovern, representing South County Housing, stated that she has experience in developing in Morgan Hill as she is the project manager for Morgan Station and the Viale project. The Morgan Station project is a unique project as it is a mixed income housing project and that this project was developed without public subsidy. The Viale project is a smaller project and that it has taken over \$1 million of public subsidy to develop this project. She encouraged the Council to address this issue; if possible this competitive round, as it would give South County Housing the ability to develop 100 units of housing, 75% to be affordable. She indicated that there is a question whether they can include 25% market rate units. She said that constructing a 100% affordable housing project is not feasible.

Mayor Kennedy inquired whether it would be possible to address the requests being made in this competition.

Ms. Molloy Previsich did not believe that there was anything that would preclude this portion of the project from applying under the affordable competition.

Mayor Kennedy noted that the City may not have the criteria in place for this competition to allow this concept.

Chairman Lyle said that in order to come up with a general scheme for any possible combination of projects will take some time. Should the Council wish to consider this particular project, the Council may be able to come up with an accommodation based on what the developer is willing to do. He noted that this project is proposing to include 30% low income housing units and that this will impact the ABAG numbers.

Commissioner Mueller said that the existing proposal for South County Housing's project, as submitted, is that every unit in the project would be affordable and would count toward the Housing Element. If the project stays affordable, you will be trading off deed restricted projects and you would be taking 75 units out the affordable housing built over the next several years. He noted that the 100% affordable units are a separate allocation. He felt that there are things about this particular project that makes it even more complicated.

Ms. Molloy Previsich felt that there are pros and cons and some trade offs. However, it sounds as though the Council is willing to adjust the definition of an affordable housing to allow 25% of the units to be market rate units. In the analysis, the City can review the tradeoffs associated with a mixed housing project.

Chairman Lyle noted that this project is already partially committed with a master plan identified and amenities based upon certain units being built. Now, it is being stated that 100 units are to be taken out of the project and retrofit the project. He felt that this would be a tricky proposition.

Mayor Pro Tempore Tate requested that the Measure C subcommittee look at this issue to determine whether this mix can be considered.

Chairman Lyle inquired whether the City is willing to loose 70 low income units associated with this project.

Mayor Kennedy requested that the Measure C subcommittee, the Planning Commission and the Council take a look at this concept and determine what it really means before making a decision.

Ms. Molloy Previsich said that the next step would be for the City to make a change to the regulations to allow the 75% affordable and that the advocate needs to specifically identify what amendments or modifications to the already approved project would be applied. She said that the Measure C subcommittee could analyze the proposal and that the Council can make a decision.

**Action:**        *By consensus, the Council provided the above stated directions.*

**FUTURE COUNCIL-INITIATED AGENDA ITEMS**

No items were identified.

**ADJOURNMENT**

There being no further business, Mayor Kennedy adjourned the meeting at 9:08 p.m.

**MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, CITY CLERK**



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 22, 2005***

**Agenda Item # 12**

**Prepared By:**

**Public Works Director**

**Submitted By:**

**City Manager**

### **ADDITIONAL TIME EXTENSION REQUEST FOR SUBDIVISION IMPROVEMENT AGREEMENT FOR ALCINI PARTNERSHIP/MAST AVENUE**

#### **RECOMMENDED ACTION(S):**

That Council either:

- 1) Require the Public Improvements to be completed by September 1, 2005 as required by the most recent extension of the Subdivision Improvement Agreement, or
- 2) Grant an extension of time from September 1, 2005 to September 1, 2007, with the condition that the extension granted by Council on September 1, 2004 must be fully executed and complied with no later than July 1, 2005.

**EXECUTIVE SUMMARY:** In February of 2001 the Alcini Partnership entered into a Subdivision Improvement Agreement to divide their property on Mast Avenue into two parcels. The Alcini's later sold the 2.9 acre undeveloped portion and retained the developed 2.5 acre parcel (see location map). A requirement of the Subdivision Improvement Agreement was that full public improvements be constructed along the frontages of both parcels within 18 months. The City Manager granted extensions for completion of the Subdivision Improvement Agreements as allowed by our Code through January of 2003, and the Alcini's subsequently requested Council extend the agreement two additional times. The Council granted an extension through March 14, 2004 and in September of 2004, granted an additional one year extension until September of 2005.

The September of 2005 Subdivision Improvement Agreement extension was signed by the Alcini's on June 17, 2005 and is in the process of being fully executed by the City. However, the Alcini's continue to stand by their position as outlined in the attached February 28, 2005 letter to the City Manager. That position being that it was not their understanding that the improvements fronting both parcels must be completed by September of 2005; instead stating that they believed they had no obligation to install the improvements until the vacant lot developed, and then their understanding was that they would be required to install the public improvements fronting the developed parcel and the new property owner would be responsible for the public improvements fronting the vacant parcel.

Staff does not agree with the developer's position. The staff report noting the Council's actions on September 1, 2004 is attached and staff believes it was clear with that action that the obligation of the Alcini's is to build public improvements fronting both the developed and undeveloped parcel by September 1, 2005. Should the Council chose to grant an extension of time to the agreement, staff recommends a two year extension from September 1, 2005 to September 1, 2007.

**FISCAL IMPACT:** None to City at this time, except staff time.





## ***CITY COUNCIL & REDEVELOPMENT***

### ***AGENCY STAFF REPORT***

***MEETING DATE: June 22, 2005***

## **ACTON MUSEUM RELOCATION AND RENOVATION PROJECT**

### **RECOMMENDED ACTION(S):**

1. Open/close public hearing.
2. Adopt resolutions making the appropriate findings and authorize the Executive Director/City Manager to do everything necessary to execute and implement the agreement with the Historical Society for the relocation and renovation of Acton Museum to the Villa Mira Monte site.

### **EXECUTIVE SUMMARY:**

The Acton Museum ("Museum") is currently located at 600 Main Street which is the future site of the library complex. As part of the library project, the Museum will need to be moved. The best location for the Museum would be to relocate it to the Historical Society's Villa Mira Monte site where it could remain a public museum under the Historical Society's management.

The new terms of the agreements are as follows: 1) The Agency will be required to sell the Museum building to the Historical society. This would be at no cost to the Historical Society, but the sale would not include any land; 2) The Agency will make a conditional \$350,000 grant to the Historical Society for relocation and renovation costs with site improvements to the Vila Mira Monte property. The grant would be conditional upon performance. As relocation and renovation activities proceed, the Historical Society will request draws to pay for expenses; 3) Both parties have agreed to non-binding mediation and binding arbitration to resolve disputes; 4) The City permitting process will begin ASAP with a goal of relocating the Museum in August 2005.

**FISCAL IMPACT:** The total cost for this project is \$350,000. This project is budgeted in the 2005-2006 BAHS (Fund 317) budget.

**Agenda Item # 13**

**Prepared By:**

**BAHS Housing Rehab  
Coordinator**

**Approved By:**

**BAHS Director**

**Submitted By:**

**Executive Director**

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING SALE OF THE ACTON MUSEUM WITH A LOAN FROM THE MORGAN HILL REDEVELOPMENT AGENCY FOR PART OF THE COST OF RELOCATING THE ACTON MUSEUM BUILDING TO THE VILLA MIRA MONTE PROPERTY AND THE IMPROVEMENTS TO REHABILITATE THE BUILDING AT THE SITE.**

**RECITALS:**

WHEREAS, pursuant to provisions of the Community Redevelopment Law (California Health and Safety Code Section 33000, et seq.), and in particular Section 33445 thereof, the Redevelopment Agency of Morgan Hill ("Agency") proposes to sell the Acton Museum ("Museum") to the Historical Society at no cost and the Agency to loan \$350,000 so the building can be relocated and renovated at the Historical Society's "Villa Mira Monte" historical park property located at 17860 Monterey Road. In conjunction with the relocation and renovation of the building the project will include site improvements such as, parking, lighting, water and sewer services. The relocation, renovation and site improvements will be referred to as the ("Improvements").

WHEREAS, the Improvements will be located in, and primarily serve the residents and taxpayers of, the Ojo de Agua Community Development Project (the "Project Area") of the Agency. The Project Area is an area in which the combination of conditions of blight is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical, social and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. Conditions of blight in the Project Area include a lack of adequate public improvements, including circulation improvements, and properties which suffer from economic dislocation, deterioration or disuse.

WHEREAS, the proposed Improvements will assist in the elimination of blight within the Project Area by allowing future development at the Museum's current location while improving the Villa Mira Monte site as a historical park.

WHEREAS, the current and future budget constraints of the City of Morgan Hill ("City") prevent the City from financing the Improvements. Traditional methods of financing such as the issuance of general obligation bonds are unavailable as a practical matter because of the extraordinary majority voter approval requirements of two-thirds of the electorate. Assessment financing or special tax financing could overburden benefiting properties with assessments or special taxes which would be added to existing taxes and assessments, thereby discouraging redevelopment of properties within the project area. Furthermore, special taxes require a two-thirds vote, again an extraordinary majority voter approval requirement, and special assessments are subject to a majority protest.

WHEREAS, the Historical Society cannot finance the Improvements without a loan from the Agency because the Historical Society is a Non-Profit organization who must rely on charitable donations in order to construct and operate the Villa Mira Monte and Museum sites.

NOW, THEREFORE, based on the evidence presented to the Agency, including the written staff report, this resolution, and oral testimony on this matter, the City does hereby find, determine, resolve, and order as follows:

Section 1. The improvements will be of primary benefit to the Project Area and will further the purposes of the Redevelopment Plan and will provide social, economic, and environmental benefits to promote the health, safety and general welfare of, the residents and taxpayers of the Project Area.

Section 2. The City Council hereby further finds and determines pursuant to Health and Safety Code Section 33445 and 33678 that based upon the foregoing, the whereas clauses listed in this resolution and other information in the file of this matter, and/or presented to it: a) the Improvements are of benefit to the Project Area and to the immediate neighborhood in which the project is located, b) the payment of funds for all or a part of the cost of the Improvements assists in the elimination of one or more blighting conditions inside the Project Area, c) the loaning of funds for all or a part of the cost of the Improvements is consistent with the Agency's implementation plan adopted pursuant to Health and Safety Code Section 33490, and d) no other reasonable means of financing the Improvements available to the City.

Section 3. The City Council hereby approves the sale of the Museum to the Historical Society at no cost and a \$350,000 loan, made by the Agency, to pay for part of the cost of the Improvements from any revenues of the Agency lawfully available therefore.

Section 4. If any portion of this Resolution is declared invalid by a court of competent jurisdiction then it is the intent of the City Council that all other portions of the Resolution shall be severed and remain in full force and effect.

**PASSED AND ADOPTED** by the City Council of Morgan Hill at a Special Meeting held on the 22<sup>nd</sup> Day of June, 2005 by the following vote.

<b>AYES:</b>	<b>COUNCIL MEMBERS:</b>
<b>NOES:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSTAIN:</b>	<b>COUNCIL MEMBERS:</b>
<b>ABSENT:</b>	<b>COUNCIL MEMBERS:</b>

**🏛️ CERTIFICATION 🏛️**

**I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA,** do hereby certify that the foregoing is a true and correct copy of Resolution No. , adopted by the City Council at a Special Meeting held on June 22, 2005.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, City Clerk**

## **RESOLUTION NO. MHRA-**

### **A RESOLUTION OF THE MORGAN HILL REDEVELOPMENT AGENCY APPROVING THE SALE OF THE ACTON MUSEUM WITH A CONDITIONAL GRANT FOR PART OF THE COST OF RELOCATING THE ACTON MUSEUM BUILDING TO THE VILLA MIRA MONTE PROPERTY AND THE IMPROVEMENTS TO REHABILITATE THE BUILDING AT THE SITE.**

#### **RECITALS:**

WHEREAS, pursuant to provisions of the Community Redevelopment Law (California Health and Safety Code Section 33000, et seq.), and in particular Section 33445 thereof, the Redevelopment Agency of Morgan Hill ("Agency") proposes to sell the Acton Museum ("Museum") to the Historical Society at no cost and the Agency to conditional grant for \$350,000 so the building can be relocated and renovated at the Historical Society's "Villa Mira Monte" historical park property located at 17860 Monterey Road. In conjunction with the relocation and renovation of the building the project will include site improvements such as, parking, lighting, water and sewer services. The relocation, renovation and site improvements will be referred to as the ("Improvements").

WHEREAS, the Improvements will be located in, and primarily serve the residents and taxpayers of, the Ojo de Agua Community Development Project (the "Project Area") of the Agency. The Project Area is an area in which the combination of conditions of blight is so prevalent and so substantial that it causes a reduction of, or lack of, proper utilization of the area to such an extent that it constitutes a serious physical, social and economic burden on the community which cannot reasonably be expected to be reversed or alleviated by private enterprise or governmental action, or both, without redevelopment. Conditions of blight in the Project Area include a lack of adequate public improvements, including circulation improvements, and properties which suffer from economic dislocation, deterioration or disuse.

WHEREAS, the proposed Improvements will assist in the elimination of blight within the Project Area by allowing future development at the Museum's current location while improving the Villa Mira Monte site as a historical park.

WHEREAS, the current and future budget constraints of the City of Morgan Hill ("City") prevent the City from financing the Improvements. Traditional methods of financing such as the issuance of general obligation bonds are unavailable as a practical matter because of the extraordinary majority voter approval requirements of two-thirds of the electorate. Assessment financing or special tax financing could overburden benefiting properties with assessments or special taxes which would be added to existing taxes and assessments, thereby discouraging redevelopment of properties within the project area. Furthermore, special taxes require a two-thirds vote, again an extraordinary majority voter approval requirement, and special assessments are subject to a majority protest.

WHEREAS, the Historical Society cannot finance the Improvements without a conditional grant from the Agency because the Historical Society is a Non-Profit organization who must rely on charitable donations in order to construct and operate the Villa Mira Monte and Museum sites.

NOW, THEREFORE, based on the evidence presented to the Agency, including the written staff report, this resolution, and oral testimony on this matter, the Agency does hereby find, determine, resolve, and order as follows:

Section 1. The improvements will be of primary benefit to the Project Area and will further the purposes of the Redevelopment Plan and will provide social, economic, and environmental benefits to promote the health, safety and general welfare of, the residents and taxpayers of the Project Area.

Section 2. The Agency hereby further finds and determines pursuant to Health and Safety Code Section 33445 and 33678 that based upon the foregoing, the whereas clauses listed in this resolution and other information in the file of this matter, and/or presented to it: a) the Improvements are of benefit to the Project Area and to the immediate neighborhood in which the project is located, b) the payment of funds for all or a part of the cost of the Improvements assists in the elimination of one or more blighting conditions inside the Project Area, c) the conditional granting of funds for all or a part of the cost of the Improvements is consistent with the Agency's implementation plan adopted pursuant to Health and Safety Code Section 33490, and d) no other reasonable means of financing the Improvements available to the City.

Section 3. The Agency hereby approves the sale of the Museum to the Historical Society at no cost and a \$350,000 conditional grant, made by the Agency, to pay for part of the cost of the Improvements from any revenues of the Agency lawfully available therefore.

Section 4. If any portion of this Resolution is declared invalid by a court of competent jurisdiction then it is the intent of the Agency that all other portions of the Resolution shall be severed and remain in full force and effect.

**PASSED AND ADOPTED** by the Morgan Hill Redevelopment Agency at a Regular Meeting held on the 22<sup>nd</sup> Day of June, 2005 by the following vote:

<b>AYES:</b>	<b>AGENCY MEMBERS:</b>
<b>NOES:</b>	<b>AGENCY MEMBERS:</b>
<b>ABSTAIN:</b>	<b>AGENCY MEMBERS:</b>
<b>ABSENT:</b>	<b>AGENCY MEMBERS:</b>

**🏛️ CERTIFICATION 🏛️**

I, **IRMA TORREZ, AGENCY SECRETARY**, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHRA- adopted by the Morgan Hill Redevelopment Agency at a Regular Meeting held on June 22, 2005.

**WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.**

DATE: \_\_\_\_\_

\_\_\_\_\_  
**IRMA TORREZ, AGENCY SECRETARY**

**OWNER PARTICIPATION AGREEMENT**  
**AND AGENCY DISPOSITION AND DEVELOPMENT AGREEMENT**

BY AND BETWEEN

REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL,

“Agency”

THE CITY OF MORGAN HILL,

“City”

AND

MORGAN HILL HISTORICAL SOCIETY, INC.,

“Participant”



## **OWNER PARTICIPATION AGREEMENT**

THIS OWNER PARTICIPATION AGREEMENT ("Agreement") is dated as of July 1, 2005 and is made and entered into by and among the REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL, a public body, corporate and politic (the "Agency"), THE CITY OF MORGAN HILL, a municipal corporation, and the MORGAN HILL HISTORICAL SOCIETY, INC., a California non-profit corporation (the "Participant"). The Agency, City and the Participant are each hereinafter sometimes referred to individually as a "party" and collectively as the "parties." In consideration of the mutual covenants and agreements contained herein, the Agency, the City and the Participant agree as follows:

### **ARTICLE 1. SUBJECT OF AGREEMENT**

1.1 **Purpose of Agreement.** Parties here to agree that: (i) the Agency convey to Participant The Acton Museum (hereinafter referred to as the "Museum") owned by the City and located on the land owned by the Agency described on Exhibit "A" hereto; and (ii) to relocate the Museum to property owned by the Participant that is described in Exhibit "B" attached hereto (the "Participant Property"); and (iii) the Owner Participation Agreement between the Participant and the Agency dated in 1997 (the "1997 Agreement") and the agreement between the City and the Agency dated March 17, 1993 (the "1993 Agreement") terminate upon the Closing (as defined in Section 4.1 below). The Participant Property is located in the Agency's Ojo de Agua Project Area (the "Project Area") and a house known as the "Morgan Hill House" and gardens (collectively, the "Morgan Hill House") are currently located on the Participant Property. The purpose of this Agreement is to assist in effectuating the Redevelopment Plan for the Agency's Ojo de Agua Project Area by providing financial assistance for the relocation and restoration of the Museum and in exchange for a "Declaration of Covenants, Conditions and Restrictions and Grant of Easement" relating to the relocation, rehabilitation, use, operation and maintenance of the Museum and Participant Property, and the use, operation and maintenance of the Morgan Hill House, all of which is in the vital and best interests of the City, and the health, safety and welfare of its residents, alleviation of blight in the Project Area, promotion of employment and economic development in the City and particularly in the Project Area, and in accordance with the public purposes and provisions of applicable state and local laws. The assistance provided by the Agency and the City on the terms described in this Agreement is made for the common benefit of the parties and the residents of the City.

#### **1.2 Parties to the Agreement.**

1.2.1 **The Agency.** The Agency is a public body, corporate and politic, exercising governmental functions and powers and organized and existing under the Community Redevelopment Act of the State of California, Section 33000, et seq., Health and Safety Code (the "Act"). The principal office of the Agency is located at 17555 Peak Avenue, Morgan Hill, California, 95037 Attn: Executive Director.

1.2.2 **The Participant.** The Participant is a California non-profit corporation duly organized and existing under the laws of the State of California. The principal office of the

Participant is at 17860 Monterey Street, Morgan Hill, CA 95037, and the mailing address of the Participant is P.O. Box 1258, Morgan Hill, California 95037.

1.2.3 The City. The City is a municipal corporation duly organized and existing under the laws of the State of California. The principal office of the City is located at 17555 Peak Avenue, Morgan Hill, California 95037, Attn: City Manager.

## ARTICLE 2. REDEVELOPMENT OF THE PROPERTY

2.1 Title to the Property. The Participant warrants to the Agency and City that the Participant is the fee owner of the Participant Property and the Morgan Hill House, free and clear of all liens, except as of record.

2.2 Scope of Redevelopment. After the Museum closing (as described in Section 4.1), the Participant shall redevelop the Participant Property by initially detaching the Museum from the land owned by the City on which it is currently located, then moving the Museum to the Participant Property and rehabilitating the Museum, and Declarant's Property which must include adding utility hook-ups for water, sewer, gas, electricity and telephone services, and any other improvements reasonably necessary for use of the Museum by the public), and, all in accordance with Exhibit "F" attached hereto as (the "Work Plan and Budget"). In performing such work, the Participant shall also comply with the Morgan Hill Municipal Code, the standards of the Secretary of the Interior of the United States for historic properties, and any conditions of approval established by the City. The City and Agency hereby give the Participant a license, revocable upon default by the Participant under this Agreement, to enter the land owned by the City and Agency that is described on Exhibit "C" for the specific and limited purposes described in this Section.

2.2.1 The Participant shall begin and complete all relocation, construction and redevelopment of the Museum as specified in the attached schedule, subject to delays beyond the control of Participant. Such schedule is subject to revision from time to time as mutually agreed upon in writing between the Participant and the Agency's Executive Director.

2.2.2 During the period of relocation and construction, the Participant shall, upon request of the Agency or City (but no more frequently than monthly), submit to the Agency or City, as applicable, written reports of the progress of the relocation and construction.

2.3 Insurance. The Participant shall maintain all insurance required by the Declaration of Covenants, Conditions and Restrictions and Grant of Easement attached hereto as Exhibit "E" (the "CC&R's").

2.4 City and Other Governmental Agency Permits. Before commencement of relocation, construction or redevelopment of any buildings, structures or other work of improvement, the Participant shall, at its own expense, secure or cause to be secured any and all permits which may be required by the City and any other governmental agency having jurisdiction as to such construction, redevelopment or work. The Agency shall provide all proper assistance to the Participant in securing these permits.

## 2.5 Rights of Access

2.5.1 For the purpose of assuring compliance with this Agreement, representatives of the Agency shall have the right of access to the Participant Property, without charges or fees.

2.5.2 The Participant, the Agency and the City agree to cooperate in designing, placing and maintaining on the Participant Property during the construction period a sign indicating the respective roles of the Participant, the Agency and the City in the redevelopment of the Participant Property, which sign and the location thereof shall be subject to the Participant's prior approval and shall comply with the City's ordinances applicable to such signs. All cost associated with this sign shall be at the sole expense of the Redevelopment Agency and or the City.

2.6 Local, State and Federal Laws. The Participant shall carry out the provisions of this Agreement in conformity with all applicable local, state and federal laws and regulations. The Participant represents and warrants that improvements to the Participant Property and the Museum reimbursed by Agency shall be constructed in compliance with the current City and State of California standards and laws, and Participant hereby acknowledges and agrees that due to the financial assistance described in Section 4.8, the work required under Section 2.2 is subject to prevailing wage laws of the State of California (Sections 1770-1781 of the California Labor Code) and the Participant shall comply therewith, subject to any applicable exemptions. In performing this Agreement, the Participant is an independent contractor and the agent of the Agency or the City. Neither the Agency nor the City shall have any responsibility whatsoever for payment to any contractor or supplier of the Participant.

2.7 Antidiscrimination During Construction. The Participant, for itself and its successors and assigns, agrees that in the redevelopment of the Participant Property and the relocation and rehabilitation of the Museum, as provided for in this Agreement, the Participant shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, age, sex, marital status, handicap, national origin or ancestry.

2.8 Taxes, Assessments, Encumbrances and Liens. The Participant shall pay when due all real estate taxes and assessments on the Participant Property. The Participant shall remove or have removed any levy or attachment made on the Participant Property or any part thereof, or assure the satisfaction thereof by posting a bond or other security therefor within a reasonable time but in any event at least 20 days prior to a sale thereunder. The Participant shall cause all mechanics' liens to be removed, by bond or otherwise, within 30 days after the filing thereof. Nothing herein contained shall be deemed to prohibit the Participant from contesting the validity or amounts of any tax assessment, encumbrance or lien, nor to limit the remedies available to the Participant in respect thereto.

ARTICLE 3. COMPLIANCE WITH CC&R's Participant shall use and maintain the Museum, Morgan Hill House and Participant Property in accordance with the CC&R's, and shall in all other respects comply with the terms of the CC&R's.

#### ARTICLE 4. AGENCY ASSISTANCE

4.1 Conveyance of the Museum. The closing of the Museum transaction described in this Section 4.1 ("Closing") shall occur on or before August 1, 2005

4.2 Termination of Prior Agreements. Upon the Closing, all prior agreements between the Agency, City and Participant, including the 1993 Agreement and the 1997 Agreement are hereby terminated and of no further force or effect.

4.3 Delivery of Documents. Agency, City and Participant, as applicable, hereby covenant and agree to deliver at least one (1) day prior to the applicable closing the following instruments and documents, the delivery of each of which shall be a condition of the applicable closing.

4.3.1 Agency shall deliver to Participant at the City offices on the Closing:

4.3.1.1 A Bill of Sale in favor of Participant in the form of Exhibit "D" attached hereto covering the Museum, duly executed by City (the "Museum Bill of Sale"); and

4.3.1.2 A fully executed and properly notarized CC&R'S.

4.3.1.3 Such funds as are required to pay for costs and expenses payable by Agency hereunder.

4.3.2 Participant shall deliver to City and/or Agency at the City offices on the Closing:

4.3.2.1 A fully executed and properly notarized CC&R'S.

4.4 After the Closing. Immediately after the Closing, Participant shall and/or City shall have the CC&R'S recorded in the office of the County Recorder and a file endorsed copy shall be provided to the other party for their records.

4.4 Apportionment of Taxes, Expenses. Taxes and assessments, operating expenses and other changes pertaining to the Museum shall be apportioned as of 12:01 a.m., on the day on the Closing, as if Participant were vested with title during the entire day upon which the Closing occurs.

4.5 Recording and Transfer Costs. City shall pay all recording costs, documentary, transfer taxes (if any).

4.6 "AS IS". Participant agrees that it will acquire the Museum in its current "AS-IS" condition, with all faults, and without representation or warranty, express or implied.

4.7 No Broker. Participant represents and warrants to Agency and City that Participant has used no broker, agent, finder or other person in connection with the transactions contemplated hereby to whom a brokerage or other commission or fee may be payable. Agency

and City represent and warrant to Participant that they have used no broker, agent, finder or other person in connection with the transactions contemplated hereby to whom a brokerage or other commission or fee may be payable. Each party indemnifies and agrees to defend and hold the other harmless from any claims, liabilities, costs, expenses and damages resulting from any breach by the indemnifying party of the warranties, representations and covenants in this Section.

4.8 Agency Financial Assistance. The Agency agrees to make a conditional grant of the sum up to \$350,000 to the Participant the right to use the Museum for public purposes as described in the CC&R's, and for Participant's compliance with this Agreement and the CC&R's (including Participant's moving, rehabilitating and repairing the Museum) conditioned upon the recording of the CC&R's.

4.9 Disbursement of Agency Financial Assistance. The Agency shall disburse the funds in one or more installments (but in no event more than two installments per month) upon the Participant's presentation to the Agency of: (i) invoices on account of labor and material on account of the costs of items included in the Plans and the Budget approved by the Agency in writing; (ii) a written statement certifying that the requested funds are to pay (or to reimburse Participant) for the costs incurred for items included in this Agreement or the Work Plan; (iii) In no event shall Agency be obligated to disburse any funds if Participant has breached this Agreement. The Participant's expenditure of funds provided by the Agency for any purpose other than as set forth in the Plans and the Budget approved by the Agency shall be a material breach of this Agreement.

4.10 Completion of Work Plan. Participant shall be deemed to have completed the redevelopment of the Participant Property under Sections 2.2 upon the City's issuance of a final certificate of occupancy for the Museum.

4.11 Termination of Agreement. Upon the issuance of a final Certificate of Occupancy for the Museum, this Agreement (but not the CC&R's) shall terminate.

## ARTICLE 5. PROHIBITION AGAINST ASSIGNMENT AND TRANSFER

The qualifications and identity of the Participant are of particular interest and concern to the Agency and the City. It is because of these qualifications and identities that the Agency has entered into this Agreement with the Participant. Therefore, the Participant shall not sell, lease, encumber, transfer, or convey the Participant Property, the Museum, the Morgan Hill House or or assign all or any of its rights or duties under this Agreement, except as may be expressly permitted in the CC&R's, and no person, whether by voluntary or involuntary transfer, shall acquire any rights or powers under this Agreement. Any sale, lease, encumbrance, transfer or conveyance of the Participant Property or assignment of this Agreement by the Participant in violation of the conditions and requirements of the CC&R's shall be a breach hereof.

## ARTICLE 6. DEFAULTS AND REMEDIES

### 6.1 Defaults -- General.

6.1.1 Notice. Subject to the extensions of time described in Section 8.5, the failure to perform or delay in performing any term or provision of this Agreement by either party within the time periods provided herein, where such failure or delay is not cured within the time period set forth below, shall constitute a default under this Agreement. A party claiming a default (“Claimant”) shall give written notice of default to the other party, specifying the default complained of.

6.1.2 Cure. The Claimant shall not institute proceedings against the other party and shall not be entitled to damages resulting from a failure to perform or a delay in performing hereunder if the other party, within thirty (30) days from receipt of such notice, immediately, with due diligence, commences to cure, correct or remedy such failure or delay and shall complete such cure, correction or remedy within thirty (30) days from the date of receipt of such notice, or if such cure, correction or remedy by its nature cannot be effected within such thirty (30) day period, such cure, correction or remedy is diligently and continuously prosecuted until completion thereof. If the defaulting party does not so cure any breach in accordance with, and within the cure periods specified in this Section after receipt of a notice of the breach, then a “Default” by the defaulting party shall be deemed to have occurred. If a party determines that a Default has occurred then they shall send a written notice to the defaulting party stating that they believe a Default has occurred. If the defaulting party disagrees or disputes whether a Default has occurred then the parties shall resolve the dispute pursuant to mediation and arbitration terms under Article 7 below.

6.2 Remedies. In the event of a breach (confirmed by under Article 7) that results in a Default by Declarant, the City and the Agency shall be entitled to all remedies available at law or in equity that are granted by the arbitrator in the arbitration under Article 7 (including, without limitation, damages), and, in addition, the arbitrator may determine that title to the Museum should revert to the City or the Agency, and in such event, the Participant shall upon the demand of the Agency: (i) immediately convey by grant deed (and with respect to any improvements not yet attached to the Participant Property, by bill of sale) title to the Museum to the City and/or Agency (as determined by the arbitrator) and the land on which they are located free and clear of all liens.

6.3 Cumulative Remedies. Any party’s election to pursue any of the remedies described in this Section shall not be considered exclusive of the right to pursue any other remedy described herein or otherwise available at law or in equity.

6.4 Inaction Not a Waiver of Default. Any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

## ARTICLE 7 MEDIATION AND ARBITRATION OF DISPUTES

7.1 Mediation and Arbitration Election Period. As used herein, the term “Mediation and Arbitration Election Period” means the period that is thirty (30) days after Agency and City have delivered the written notice of Default as set forth in Section 6.1.2 above. If within the thirty (30) day period, Participant notifies the City and/or the Agency in writing that they are electing their rights under this Article 7, then the parties shall submit to the mediation and

arbitration of the issue of whether or not a Default by Participant shall have occurred, then such issue shall be determined by mediation and binding arbitration as hereinafter provided.

7.2 Failure to Elect to Mediate or Arbitrate. If the Participant fails to notify City or Agency during the Mediation and Arbitration Election Period that the Participant elects to mediate and arbitrate whether or not a Default by Participant has occurred, the day after the Mediation and Arbitration Election Period ends, then the City and/or Agency shall be entitled to elect and effect such remedies for the Default as they elect and to which they are entitled.

7.3 Parties. For purposes of this Article 10, the Agency and the City shall together be deemed to constitute “one party”, and the Participant shall be deemed to constitute the other “party”. Any decision by the Agency and City must be agreed to by both the Agency and the City.

7.4 Mediation. The parties agree to first mediate any dispute or claim arising between them out of this Declaration that relates to whether a breach or default has been timely cured as provided under the term of this Agreement before resorting to arbitration. The mediation process shall begin by either party sending written notice to the other party of its desire to mediate a dispute on whether any breach or default has not been timely cured as provided under the terms of the Declaration. The party sending the written notice shall specifically reference this provision under the Declaration and set forth the names of three mediators in Santa Clara County, all of whom shall be trained and experienced in the mediation process and shall not be affiliated or under contract with the party listing them. The party receiving the written notice shall then choose one of the persons named as mediators on the list within fifteen (15) days from the date of the notice by sending written notice back to the other party stating the mediator they have chosen; if a party fails to choose a mediator within the time period indicated, then the party sending the notice shall pick one of the mediators on the list and send written notification to the other party of their choice. The mediator so selected shall be the mediator for the mediation. Within thirty (30) of the date of the determination of the mediator, the mediation shall take place at such time and place (in Santa Clara County) and duration as determined in the sole discretion of the mediator. The mediation shall continue for such time and duration and from time to time as long as the mediator deems such process beneficial and that there remains a reasonable chance for resolution of the dispute between the parties; however, at such time as the mediator determines that the mediation process is no longer beneficial or there is no progress being made toward resolution, the mediator shall send written notice to both parties of the termination of the process. The date of said written notice shall be the date of termination of the mediation process and either party shall then be able to commence arbitration as set forth below. Each party shall participate in good faith and shall comply with such requests and requirements made from time to time and at any time by the mediator. The cost of the mediator’s fees shall be divided equally among the parties involved. If any party commences an action without attempting to resolve the matter through mediation, or refuses to mediate after a notice has been made, then that party shall not be entitled to recover attorneys’ fees, even if they would otherwise be available to that party in any such action.

7.5 Arbitration of Disputes. The parties agree that any dispute or claim in law or equity arising between them out of this Declaration which is subject to mediation but is not settled through mediation, shall be decided by binding arbitration under this Section 9.5. At any time after the written notice has been sent by the mediator terminating the mediation, either party may send written notice to the other party requesting that arbitration occur to resolve the dispute. The written notice shall contain the list of three proposed arbitrators all of whom shall be a

retired Judge or Justice or an attorney with at least five (5) years of real estate law experience, in each case located in Santa Clara County and not affiliated or under contract with the party listing them unless the parties mutually agree to a different arbitrator. The party receiving the written notice shall then choose one of the persons named as arbitrators on the list within fifteen (15) days from the date of the notice by sending written notice back to the other party stating the arbitrator they have chosen; if a party fails to choose a arbitrator within the time period indicated, then the party sending the notice shall pick one of the arbitrators on the list and send written notification to the other party of their choice. The arbitrator so selected shall be the arbitrator for the arbitration and shall render a decision or award in accordance with California law; the decision of the arbitrator shall be final and binding on the parties. Within thirty (30) of the date of the determination of the arbitrator, the arbitration shall take place at such time and place (in Santa Clara County) and duration as determined in the sole discretion of the arbitrator. The parties shall have the right to discovery in accordance with California Code of Civil Procedure Section 1283.05. In all other respects, the arbitration shall be conducted in accordance with Title 9 of Part III of the California Code of Civil Procedure. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction.

**NOTICE:** BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE ‘MEDIATION AND ARBITRATION’ PROVISION DECIDED BY MEDIATION AND NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE INCLUDED IN THE FOREGOING ARBITRATION PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE OR OTHER APPLICABLE LAW. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE ‘ARBITRATION OF DISPUTES’ PROVISION TO NEUTRAL ARBITRATION.

Participant’s Initials: \_\_\_\_\_ City’s Initials: \_\_\_\_\_ Agency’s Initials: \_\_\_\_\_

## ARTICLE 8. GENERAL PROVISIONS

8.1 Notices, Demands and Communications Among the Parties. Written notices, demands and communications among the Agency, the City and the Participant, shall be sufficiently given by personal service or dispatched by first class mail, postage prepaid, to the principal offices of the Agency, the City or the Participant described in Section 1.2. Such written notices, demands and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section 8.1. Notwithstanding anything to the contrary contained herein, notice personally served shall be



presumed to have been received as of the date of such service, and notices sent via mail as provided herein shall be presumed to have been received when the applicable notice is actually received.

8.2 Conflicts of Interest. The Participant warrants that it has not paid or given and will not pay or give any officer, employee or agent of the City or the Agency any money or other consideration for obtaining this Agreement.

8.3 Interpretation. The provisions of this document shall be liberally construed to effectuate its purpose.

8.4 Severability. Invalidation of any of the covenants, conditions, restrictions, or other provisions contained herein by judgment or court order shall in no way affect any of the other covenants, conditions, restrictions, or provisions hereof, and the same shall remain in full force and effect.

8.5 Force Majeure; Extension of Times of Performance. In addition to specific provisions of this Agreement providing extensions of time for performance, performance by either party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where the party seeking the extension has acted diligently and delays or defaults are due to events beyond the reasonable control of the party (financial inability excepted) such as but not limited to: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; unreasonable governmental restrictions or priority; litigation; weather; acts or omissions of another person or party; or other causes beyond the reasonable control or without the fault of the party claiming an extension of time to perform. Notwithstanding anything to the contrary in this Agreement, an extension of time for any such cause shall be for the period of time reasonable in light of the excused delay and shall commence to run from the time of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the mutual agreement of the Agency's Executive Director, the City Manager and the Participant.

8.6 Headings. The headings to the various Articles and Sections of this Agreement have been inserted for convenient reference only and shall not to any extent have the effect of modifying, amending or changing the expressed terms and provisions of this Agreement.

8.7 Non-Liability of Officials and Employees. No member, official or employee of the Agency or the City shall be personally liable to the Participant, or any successor in interest of the Participant, pursuant to the provisions of this Agreement, nor for any default or breach by the Agency or the City. No member, official or employee of the Participant shall be personally liable to the City or Agency pursuant to the provision of the Agreement nor for any default or breach by Participant.

8.8 Attorneys' Fees. In the event that suit is brought for the enforcement of this Agreement or as the result of any alleged breach thereof, the prevailing party or parties in such suit shall be entitled to recover their reasonable attorneys' fees from the losing party or parties, and any judgment or decree rendered in such proceedings shall include an award thereof.

8.9 Inspection of Books and Records. The Agency and the City shall have the right to inspect from the date hereof through the date that is one (1) year after the completion of rehabilitation of the Museum project, at reasonable times and upon delivery to the Participant of written notice at least three (3) days prior to such inspection, the books and records of the Participant pertaining to the Property as pertinent to the purposes of this Agreement.

8.10 Time of Essence. Time is of the essence in the performance hereof.

8.11 Entire Agreement, Waivers and General. This Agreement may be executed in counterparts, each of which is deemed to be an original.

8.11.1 This Agreement, together with the 1997 OPA, the 1993 Agreement and the CC&R's, integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof; however, in the event of any inconsistency between the terms hereof and the CC&R's, the CC&R's shall prevail.

8.11.2 All amendments hereto must be in writing executed by the appropriate authorities of the Agency and the Participant.

8.12 Participant Liability. Except as provided in Article 5, this instrument shall bind the heirs, representatives, successors and assigns of the Participant, the City and the Agency shall inure to the benefit of the Agency, the Participant and their successors and assigns.

8.13 Warranties. Each party represents and warrants to the others as follows: that it has full right, power and authority to execute and deliver this Agreement and the CC&R's, and to perform the undertakings contained in this Agreement and the CC&R's.

8.13.1 to the best of its knowledge, none of the undertakings contained in this Agreement or the CC&R's violates any applicable statute, law, regulation or ordinance or any order or ruling of any court or governmental entity, or conflicts with, or constitutes a breach or default under, any agreement by which the Participant, or the Property and the improvements thereon, are bound or regulated.

8.13.2 there is no litigation, action, suit, or other proceeding pending or threatened against the Participant or the Participant's Property which may in any manner whatsoever substantially adversely affect the validity, priority, or enforceability of this Agreement or the CC&R's

8.13.3 to the best of the Participant's knowledge, the Participants is not in violation of any statute, law, regulation or ordinance, or of any order of any court or governmental entity the effect of which would prohibit the Participant from performing its obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the day and year first above written.

**Agency:**

REDEVELOPMENT AGENCY OF THE  
CITY OF MORGAN HILL, a public body,  
corporate and politic

By: \_\_\_\_\_  
J. Edward Tewes  
Executive Director

ATTEST:

\_\_\_\_\_  
Irma Torres  
Agency Secretary

APPROVED AS TO FORM:

Richards, Watson & Gershon,  
a professional corporation,  
Special Counsel to the City and the Agency

By: \_\_\_\_\_  
Bruce Galloway

**Participant:**

MORGAN HILL HISTORICAL SOCIETY,  
INC., a California non-profit corporation

By: \_\_\_\_\_  
President

By: \_\_\_\_\_  
Secretary

**City:**

CITY OF MORGAN HILL,  
a municipal corporation

By: \_\_\_\_\_  
J. Edward Tewes  
City Manager

Attest: \_\_\_\_\_  
Irma Torres  
City Clerk

**EXHIBIT “A”**

**CITY LAND AND AGENCY LAND**

The land on which the Museum is located as of the date of this Agreement is owned by the City and is commonly known as 600 W. Main Street, Morgan Hill, California (APN 773-02-003).

**EXHIBIT "B"**

**DESCRIPTION OF PARTICIPANT PROPERTY**

That certain real property situated in the State of California, County of Santa Clara, City of Morgan Hill, described as follows:

Parcel A, as shown upon that certain parcel map recorded in the Office of the Recorder of the County of Santa Clara, State of California, on February 3, 1983, in Book 509 of Maps at Page 2  
More commonly known as 17860 Monterey Street, Morgan Hill, CA 95037

11117/0001/794106.1

old: 744953.3, new: 744953.4

**EXHIBIT “D”**

**FORM OF MUSEUM BILL OF SALE**

(Attached.)

**EXHIBIT “E”**  
**FORM OF CC&R’s**

(Attached.)



**EXHIBIT “F”**

WORK PLAN AND BUDGET

TO BE DEVELOPED AND SUBMITTED



## ***CITY COUNCIL STAFF REPORT***

***MEETING DATE: June 22, 2005***

**Agenda Item # 14**

**Prepared By:**

**Asst. to the City Mgr.**

**Submitted By:**

**City Manager**

### **SILICON VALLEY SOCCER COMPLEX PROPOSAL**

#### **RECOMMENDED ACTION:**

**Accept report.**

#### **EXECUTIVE SUMMARY:**

In preparation for the May 18, 2005 City Council meeting, staff presented a proposal from the San Jose Soccer Complex Foundation that the City of Morgan Hill contribute \$1 million toward the development and construction of the Silicon Valley Soccer Complex. The Public Safety and Community Services Committee reviewed the Foundation's proposal and recommended that the Council direct staff to enter into a contract with the Foundation that would enable the Foundation to use \$974,000 in CIP funds for the development and construction of the Silicon Valley Soccer Complex at Sobrato High School.

Just prior to the May 18 meeting, the San Jose Soccer Complex Foundation requested that the Council delay action for 30 days while the Foundation considered alternate sites for the soccer complex. The Council granted this extension, which has now elapsed.

On June 16, staff were notified that the San Jose Soccer Complex Foundation, at the direction of its Board of Directors, is withdrawing from the proposed Soccer Complex Project at the Sobrato site. Foundation representatives cited a number of concerns related to the proposed Memorandum of Understanding between the City of San Jose and the San Jose Soccer Complex Foundation, and stated that the Foundation Board did not believe those concerns could be resolved in a timely manner.

David Morton, President of the San Jose Soccer Complex Foundation, expressed his appreciation of the City's support of the proposed Silicon Valley Soccer Complex as follows:

"We wish to thank the City of Morgan Hill for their time and efforts. The City's involvement has been much appreciated. It's unfortunate that it did not work out to allow us to partner on the Project."

Staff have approached CYSA representatives regarding extending the lease at the existing soccer complex on Condit Road.

#### **FISCAL IMPACT:**

The 2005/06 Capital Improvement Program identifies \$980,000 to assist with development of a regional soccer complex. The Council may wish to reprogram those funds at a future date.



## CITY COUNCIL STAFF REPORT

**MEETING DATE: June 22, 2005**

### TITLE: URBAN LIMIT LINE/GREENBELT STUDY

#### EXECUTIVE SUMMARY:

**Background.** On April 20, 2005 the City Council received the Committee's Urban Limit Line/Greenbelt Report and directed staff to prepare an equal evaluation of all proposals. Staff was directed to return to the Council in June 2005 with a comparative analysis, responses to letters, and recommended action plan for moving the Program forward into environmental review and implementation.

#### **Recommended Actions:** (to be carried out during FY 2005-06)

1. For all of the city's Sphere of Influence area *except for the Southeast Quadrant*, accept the staff-recommended "project description" for a General Plan Amendment (as presented in Attachment I.E.), and direct filing of the application and preparation of environmental review. The GPA amendment will include establishment of the Urban Limit Line, amendment of the Urban Growth Boundary line, and incorporation of a Greenbelt diagram and policies.
2. Direct staff to initiate consultant selection activities for the Industrial Land Market Study (ILMS), to address existing and potential industrial lands within the city's sphere of influence.
3. Direct staff to work with Santa Clara County on county development regulations related to reducing the visual impacts of new hillside development.

#### **Recommended Future Activities**

**SOUTHEAST QUADRANT.** Staff believes that it is premature to take any actions regarding the Southeast Quadrant (SEQ) until after the recommended Industrial Land Market Study (ILMS), at which time the Planning Commission and City Council will be able to consider its conclusions and determine *whether, to what extent, and when* the SEQ should be planned for future urban development. The range of choices to be considered at that time could include, but not be limited to:

- The Council could determine that the only urban development desired for the SEQ is an industrial park in the vicinity of the 101/Tennant interchange, and that the rest should be "Rural County"; likely to be a mix of small agricultural and rural residential uses. The Council would then provide direction for location and timing of applying the industrial land designation/prezoning.
- The Council could determine that more, or even all, of the SEQ should be held in reserve for urban development. In that case, the Council should probably provide direction at that time regarding whether further study of urban uses should occur as part of the next General Plan Update, or at some other time.
- In light of the above considerations, the Council could consider in the future whether a program to acquire land and/or conservation easements in the SEQ area is desired as part of the city's "greenbelt" program, or whether reliance on existing parcel pattern and County zoning (any new parcels could not be less than 20 acres) is adequate. It is estimated that under existing County zoning there is potential for an additional 80 dwelling units in the SEQ.

**GREENBELT FINANCING AND IMPLEMENTATION PROGRAM.** Staff believes that the City Council will need to complete the ILMS, complete the General Plan Amendment, and have the above "Southeast Quadrant Discussion", before further, more detailed analysis of greenbelt financing and implementation options can occur. This means that staff is suggesting that the ULL/Greenbelt Work

Agenda Item # 15

Prepared By:

K. Schreiber, D.  
Bischoff, K. Molloy

Approved By:

Community  
Development Director

Submitted By:

City Manager

Program will consist of the Industrial Land Market Study and General Plan Amendment/environmental review during FY 2005-06; with further analysis and discussion of financing and implementation options occurring the following year.

**ATTACHED INFORMATIONAL BOOKLET:** The attached booklet includes all of the information requested by the City Council. It is tabbed for ease of use, in accordance with this Table of Contents:

- I. Staff Analysis
  - A. Introduction
  - B. Key Information
  - C. Discussion of Key Policy Issues
  - D. Presentation of Staff Recommendations Regarding Key Program Components
    - 1. Modifications to Definitions of “Greenbelt” and “Urban Limit Line”
    - 2. Location of Urban Limit Line
    - 3. Location of Greenbelt
    - 4. Need for Measure C Amendment and/or Ballot Measure(s)
    - 5. Southeast Quadrant (SEQ) Land Uses
    - 6. Priority for obtaining Title or Conservation Easements over Greenbelt Lands; and Study of Funding/Implementation Mechanisms
    - 7. Amendments to Urban Growth Boundary
  - E. Compilation of Staff Recommendations, including the “Project Description” for the General Plan Amendment that would establish the Urban Limit Line, amend the Urban Growth Boundary, and incorporate a Greenbelt Diagram and Policies
- II. Comparative Analysis of Five Proposals
  - A. Comparative Analysis Summary Report
  - B. Comparison Table
  - C. Descriptions of Proposals
    - 1. Urban Limit Line-Greenbelt Advisory Committee Report, Map & Recommendations (“Committee Proposal”)
    - 2. Kennett, Beasley, Tichinin Proposal (“KBT Proposal”)
    - 3. Property Owner Group Proposal (“Owner Group Proposal”)
    - 4. Existing General Plan (“No Project Proposal” – existing text/policies)
    - 5. Staff Recommendation (“Staff Proposal” - in Section I.E. of Booklet)
- III. Written Responses to Letters
  - A. Jeffrey Hare Letter representing Trustees of Nick Sr. and Jackie Borina Trust
  - B. Andrew Faber Letter representing Keven and Charlene Lai
  - C. Steve White Letter representing American Anchorpoint Schools
  - D. Gary Justino Letter representing himself
  - E. Bart Hechtman Letter representing American Anchorpoint Schools
  - F. Art Puliafico Letter representing himself
- IV. Maps of Morgan Hill Prime Agricultural Soils and Agricultural Resources
- V. Information regarding City of Gilroy Agricultural Mitigation Program
- VI. Minutes of April 20<sup>th</sup> City Council Meeting

**FISCAL IMPACT:**

Funds for the amendment of the General Plan and environmental review are included in the funds appropriated for the Urban Limit Line/Greenbelt Study. Funds for the Industrial Land Market Study and staff support for the Urban Limit Line/Greenbelt work are part of the proposed 2005-06 Budget. Future adoption of a Greenbelt Financing and Implementation Program will likely include implementation activities that would impose an ongoing cost. Resources needed that exceed the existing level of TDC funds obtained from Measure C developers and Open Space Authority funding are proposed to be identified during the next phase of greenbelt planning.